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THESIS

THE STATE OF THE ART OF BUDGETARY FINANCIAL REPORTING IN THE NAVY

by

Phillip C. Stephens
December, 1996

Principal Advisor:
Associate Advisor:

O. Douglas Moses
John E. Muttu

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THE STATE OF THE ART OF BUDGETARY FINANCIAL REPORTING IN THE NAVY

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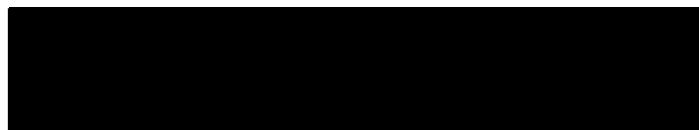
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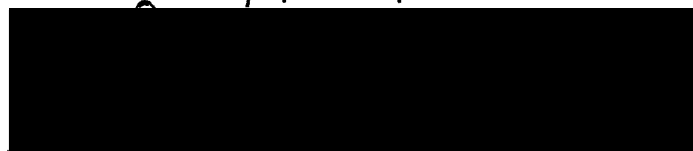
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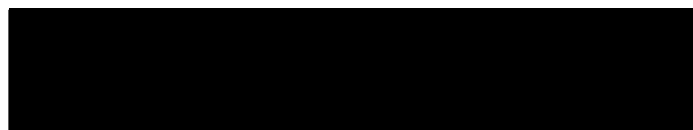


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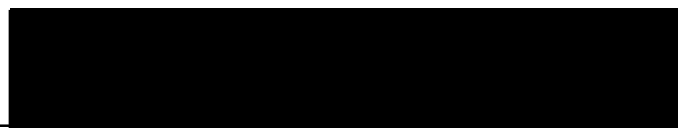
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ABSTRACT

The purpose of this thesis was to investigate current budgetary financial reporting practices in the Navy, and provide a comprehensive overview of budgetary reporting in that department. This thesis reviewed and discussed appropriation life cycles, along with the organizations, accounting systems and reports involved in Navy budgetary financial reporting. Each appropriation enacted and allotted down the financial chain of command is accounted for through budgetary financial reporting. The organizations involved in budgetary reporting are categorized into two groups; field level and service level. Five reports are currently in use: Trial Balance Report, Expense Element Report, Fund Status Report, Report on Budget Execution and Appropriation Status Report. The Navy is streamlining its current budgetary financial and accounting reporting use of 37 systems down to two primary budgetary accounting systems; the Standard Accounting and Reporting System and the Naval Headquarters Financial System. A comparison of budgetary reporting with private sector financial reporting illuminated similarities in the basic accounting model underlying the financial reports, but differences in reporting objectives and practices. Budgetary financial reporting serves the objective of reporting budget execution status well but is limited in its ability to communicate financial position.

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I. INTRODUCTION

A. BACKGROUND

Descriptions of financial reporting in the federal government are readily available. However, no such information concerning the financial reporting structures and practices within the military services is as accessible. Published analysis of financial reporting in the services typically stop at the Department of Defense level. Consequently, it is unclear as to what actually happens below the agency level. This thesis will investigate current practices in the Navy and provide a comprehensive overview of budgetary financial reporting in that department.

This chapter will introduce the reader to budgetary financial reporting in the Navy. The first section will define budgetary financial reporting and distinguish it from other forms of financial reporting. The second section of the chapter indexes the research questions to be answered in the thesis. The third part of the chapter will describe the methodology used to research information for the thesis. The fourth section of this chapter addresses the scope and limitation of the thesis. The chapter will conclude by outlining the organization of the chapters.

B. BUDGETARY FINANCIAL REPORTING AND ACCOUNTING

The accounting system in the federal government must provide two types of information; status of budget authority and accountability of assets. Each

federal agency must execute budget authority and hold fiduciary responsibility for assets entrusted. Budgetary financial reporting distinguishes itself from proprietary reporting by tracking and reporting the status of budget authority during budget execution; thus, fulfilling one aspect of federal agency responsibility. The other aspect of accounting for assets is fulfilled through the use of proprietary accounting.

Budgetary financial reporting reports on the management of budget authority execution and provides the tools to detect when budget authority has been exceeded. Prior to budget execution, budgets are formulated by the President and approved by Congress. Congress appropriates budget authority through the enactment of laws.

Following budget formulation, the process of spending budget authority is divided into five clearly distinct steps, closely monitored for legal and regulatory compliance (Freeman & Shoulders, 1996). The five steps are:

- ◆ apportionment;
- ◆ allotment;
- ◆ commitment;
- ◆ obligation; and
- ◆ expended appropriation.

Budgetary financial reporting has terminology unique to its accounting. Including the five steps just mentioned, a short list of budget execution terms that are common to budgetary reporting in the Navy and included in this thesis is

provided in Appendix A (PCC, 1996). The purpose of the budgetary financial reporting process is to both track spending and to avoid over obligation of appropriations (i.e., the federal government uses budgetary accounting to control spending) (Razek & Hosch, 1995); which carries legal ramifications.

C. RESEARCH QUESTIONS

The following research questions were analyzed and evaluated during this thesis:

Primary: What is the current state of the art of budgetary financial reporting in the Navy?

Subsidiary:

1. What is budgetary financial reporting? What distinguishes budgetary financial reporting from other forms of financial reporting?
2. What is the current environment and context of budgetary financial reporting?
3. What conceptual accounting model is being utilized for budgetary reporting?
4. What organizations are involved in Navy budgetary reporting?
5. Of the organizations involved, what are their responsibilities for financial reporting?
6. What information systems exist to support financial reporting?
7. What financial reports are generated during the budgetary accounting process?
8. Who uses these reports and what are they used for?

9. Is the current budgetary financial reporting system in the Navy comparable to private sector practice?
10. Does the current financial reporting system support user needs?

D. METHODOLOGY

To address the research questions, the research was divided into three phases. First, research into budgetary financial reporting and the Navy's financial accounting system was explored utilizing current literature. Sources of research included federal, Department of Defense and Department of the Navy regulations; material obtained from various financial management classes and briefings held at the Naval Postgraduate School (NPS); and prior students' thesis conducting research into similar areas of financial accounting.

Secondly, research into budgetary financial reporting in the Navy was conducted through interviews, and included personnel from the office of the Assistant Secretary of the Navy for Financial Management and Comptroller (office of Financial Management and Operations). Additionally, visits to the local NPS comptroller's office were imperative to obtain information on field level accounting. Phone interviews included individuals at the following locations:

- ◆ Commander, Naval Surface Force, Pacific (Budget Office)
- ◆ Commander, Naval Surface Force, Pacific (Accounting Office)
- ◆ Commander in Chief, Pacific Fleet (Budget Office)
- ◆ Operating Location (OPLOC) San Diego
- ◆ STARS program office in Mechanicsburg, Pennsylvania

Additionally, a trip was taken to the annual American Society of Military Comptrollers conference to interview individuals concerning financial accounting in the Navy.

Actual reports utilized in Navy budgetary accounting were acquired to provide the reader with illustrative examples of the reports discussed in the thesis. Three of the reports were obtained locally at NPS and the other two were provided from ASN (FM&C).

The last part of the thesis involved evaluating the information compiled on the state of the art of budgetary financial reporting in the Navy. It was beyond the scope and limitations of the thesis to fully explain every facet of financial accounting and reporting in the Navy. Consequently, the objective of this thesis was to provide an aggregate, systematic view of budgetary financial reporting in the Navy.

Major issues, concepts, and problems that were evaluated during the research surround the following questions:

- ◆ What reporting is currently being done?
- ◆ What is the structure of reporting in the Navy?
- ◆ What resources were available to support Navy budgetary financial reporting?
- ◆ Are the Navy budgetary financial concepts the same as a private-sector corporation?

- ◆ Does the current financial accounting system(s) support user needs?

The thesis concludes by answering the primary research question.

E. SCOPE AND LIMITATIONS

The main objective of the thesis is to determine the status of current budgetary financial reporting in the Navy and to present it in such a manner that it could be understood. The financial reports provided and discussed are the reports utilized at all major levels within the Navy; specifically:

- ◆ Assistant Secretary of the Navy (Financial Management and Comptroller)
- ◆ Major Claimant (e.g., SYSCMD/Fleet Command)
- ◆ Subclaimant (e.g., TYCOM)
- ◆ Fund Administering Activity (e.g., Installation/fleet).

This thesis discusses both current and projected issues of budgetary financial reporting in the Navy; specifically, the reports and accounting systems that are utilized throughout the Navy.

The research for this thesis was conducted in the spring of 1996; consequently, issues presented are as of that time period. Navy budgetary financial reporting is currently in a state of change; some of the changes taking place will affect fiscal year 1997 reporting. For example, the Report on Budget Execution (DD 1176) that is discussed in Chapter III, is scheduled to be superseded with an improved form beginning in fiscal year 1997; the new form is the Standard Form 133 (SF 133). The SF 133 is very similar to the DD 1176;

essentially the same form with expanded sections to provide information mandated by the Chief Financial Officer's Act of 1990. Because of the current changing environment of budgetary accounting in the Navy, some practices in the future may change from what is presented in this thesis.

F. ORGANIZATION OF STUDY

The remainder of this thesis is divided into five chapters and five appendices, as follows:

Chapter II: GENERAL FLOW AND REPORTING OF FUNDS IN THE NAVY

This chapter will describe, from an aggregate point of view, the general flow of funds, what happens when a transaction takes place, and how the transaction is both processed and reported to the appropriate distributor of funds (i.e., This chapter will provide a general view of an appropriation life cycle.). This chapter will also provide insight into one of the basic funding structures in the Navy; Appropriated Funds. Appropriated funds are designated by specific amounts for a specific purpose.

The first part of this chapter will briefly discuss the origin of an appropriation and follow the appropriation as it is apportioned and allotted down the financial chain of command. Secondly, this chapter will describe the actions taken upon obligation of appropriated funds, and how, in a general sense, the

government pays its bills. The third section of the chapter will describe the flow of financial reporting and who receives the financial reports.

The objective of this chapter is to provide a general “snap shot” picture of an appropriation life cycle. Chapters III and IV will examine, in further detail, the actual reports generated and organizations and information technology systems involved in budgetary financial reporting.

Chapter III: **FINANCIAL REPORTS UTILIZED IN THE NAVY**

Chapter III will continue to discuss Navy budgetary financial reporting by analyzing the primary reports utilized by the operating locations (OPLOCs) and the Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN (FM&C)).

This chapter is broken down into three sections. The first section will discuss and compare private sector accounting to Navy budgetary accounting. The second section will discuss Congressional appropriations, explain their differences, and summarize how each appropriation’s budget authority is reported. The third section will explain, debate, and illustrate the actual budgetary financial accounting reports utilized in the Navy.

Chapter IV: **FINANCIAL ACCOUNTING SYSTEMS IN THE NAVY**

This chapter will discuss the accounting systems utilized in the Navy to report financial accounting information to higher authority; specifically, the systems that are currently in place to support budgetary financial reporting.

This chapter is divided into four sections; discussing the accounting systems involved in each of the following:

- ◆ Navy Field Level Accounting (Fleet)
- ◆ Navy Field Level Accounting (Ashore)
- ◆ Financial Accounting for Procurement Appropriations and Major Washington DC Commands
- ◆ Service Level Financial Reporting

Each section will provide a brief description of the flow of accounting information as discussed in Chapter II and the accounting systems involved in the financial reporting of that information.

Chapter V: EVALUATION OF NAVY FINANCIAL REPORTING

This chapter will analyze and evaluate current budgetary financial reporting in the Navy. The objective of this chapter is to: highlight differences between private sector and Navy budgetary financial reporting; discuss, through an analysis, the effectiveness and efficiency of current Navy budgetary financial reporting; and to discuss steps taken by the Department of the Navy to improve current budgetary financial reporting.

The first part of this chapter will conduct an initial analysis of Navy budgetary financial reporting by contrasting private sector and Navy budgetary accounting; and conclude with a further evaluation and analysis of the Navy's budgetary reporting, with defined criteria. The contrasting and analysis will allow

the reader to understand the difference between private sector and Navy budgetary reporting.

Chapter VI: **SUMMARY AND CONCLUSIONS ON THE STATE OF THE
ART OF BUDGETARY FINANCIAL REPORTING IN THE
NAVY**

This chapter provides a summary and conclusion on the state of the art of budgetary financial reporting in the Navy. The first section will address the eleven research questions outlined throughout the thesis, and will conclude with suggestions for areas for further study.

Appendix A: **BUDGETARY FINANCIAL REPORTING TERMINOLOGY**

This appendix provides a listing of the recurrent and more common budgetary financial reporting terminology utilized throughout the thesis. Understanding this terminology is helpful in understanding unique Navy budgetary financial reporting expressions.

Appendix B: **NAVY BUDGETARY FINANCIAL REPORTS**

This appendix is provided to exhibit the actual budgetary financial reports in the Navy. The five primary reports utilized in budgetary reporting are:

- | | | |
|---|-----------------------------------|-----------|
| ◆ | Trial Balance Report | (NC 2199) |
| ◆ | Expense Element Report | (NC 2171) |
| ◆ | Status of Funds Authorized Report | (NC 2025) |
| ◆ | Report on Budget Execution | (DD 1176) |
| ◆ | Appropriation Status Report | (DD 1002) |

Appendix C: NAVY BUDGETARY FINANCIAL ACCOUNTING SYSTEMS

This appendix is provided to support the conclusion that past accounting systems in the Navy were too numerous and too complex. The flow charts (ASN (FM&C) and GAO, 1996) provided will show, in an aggregate manner, the complexity of prior and existing accounting systems. The figures are provided in the following order:

- ◆ Fleet level financial reporting system.
- ◆ Shore financial reporting.
- ◆ Procurement and major Washington, DC financial reporting.

The examples provided involve current, past, and projected accounting systems. The objective of this appendix is to provide the reader with an illustration of primarily past and existing accounting systems so that the efficiency of the current and proposed accounting systems can be emphasized.

Appendix D: NAVY ACCOUNTING SYSTEMS

This appendix provides a list of some of the accounting systems that have been used in the past and, in some cases, are still being utilized in Navy budgetary accounting.

The listing is a shortened tally and does not include all of the accounting systems utilized in the Navy, only the more common and projected accounting systems.

Currently, the Navy is utilizing approximately 37 accounting systems. The ultimate goal of the Defense Finance and Accounting Service (DFAS), Cleveland office is to use two accounting systems in general fund accounting in the Navy; the Standard Accounting and Reporting System (STARS) and the Naval Headquarters Financial System (NHFS) (Hudson, 1996).

Appendix E: DEFENSE BUSINESS OPERATIONS FUND

This appendix discusses the Defense Business Operations Fund (DBOF). The DBOF activities in the Navy are the only Navy activities that resemble private sector organizations. The DBOF's objective is to break even. The Navy has three major fund accounts: Appropriated (which is discussed in this thesis), Non-Appropriated (self-sustaining entities such as Morale, Welfare, and Recreation (MWR)), and DBOF. Appropriated and DBOF reporting have reporting requirements that are similar. Non-Appropriated funds have no accountability in the fiscal records of the Treasury of the United States (PCC, 1996). Appendix E provides information on DBOF to allow a comparison to the appropriated funds discussed in the main body of this thesis.

G. SUMMARY

The objective of this thesis is to provide the reader with a composite report on the state of the art of budgetary financial reporting in the Navy. Currently, the precise financial accounting process throughout the Navy is unclear and is in a state of change. A reader, with an understanding of financial accounting and reporting in the private sector, can benefit from this thesis; with

the expanded knowledge of the Navy's budgetary financial execution and reporting.

Figure 1.1 illustrates current budgetary financial reporting in the Navy. The picture provides the reader with an aggregate view and potential flow of an appropriation dollar. In budgetary accounting, an appropriation fund is enacted, expended according to budgetary objectives and reported to all responsible parties in the fund's financial chain of command. At first glance, Figure 1.1 appears to be complex and difficult to understand; this thesis will divide the picture into comprehensible segments.

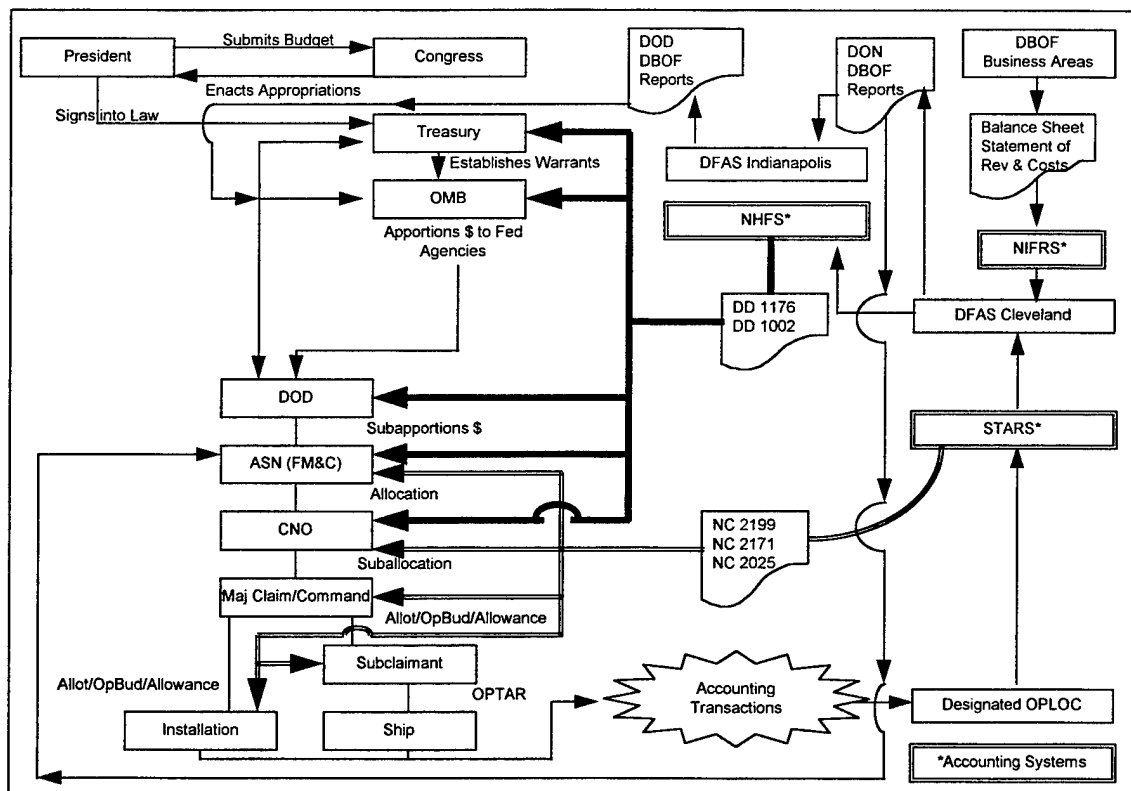


Figure 1.1. Navy Budgetary Financial Accounting

II. GENERAL FLOW AND REPORTING OF FUNDS IN THE NAVY

A. INTRODUCTION

Chapter I provided an introduction to this thesis by discussing the general aspects of budgetary financial reporting in the Navy. Chapter I also highlighted budgetary financial reporting terminology, discussed the problems addressed in this thesis, provided the research questions to be answered, and described the current environment of budgetary financial reporting in the Navy. This chapter will build upon that foundation by describing, from an aggregate point of view, the general flow of funds, what happens when a transaction takes place, and how the transaction is both processed and reported to the appropriate distributor of funds (i.e., This chapter will provide a general view of an appropriation life cycle). This chapter will also provide insight on one of the basic funding structures in the Navy; Appropriated Funds. Appropriated funds are designated by specific amounts for a specific purpose (e.g., The Ship building and Conversion appropriation may have 1.3 billion dollars designated to purchase an Arleigh Burke class Destroyer).

The first part of this chapter will briefly discuss the origin of an appropriation and follow the appropriation as it is apportioned and allotted down the financial chain of command. Secondly, this chapter will describe the actions taken upon obligation of appropriated funds, and how, in a general sense, the

government pays its bills. The third section of the chapter will describe the flow of financial reporting and who receives the financial reports.

B. APPROPRIATION ORIGIN AND FLOW OF BUDGET AUTHORITY

The origin of an appropriation is on Capitol Hill where Congress enacts the authority to spend funds out of the Treasury. The President submits his annual proposed budget to Congress each February for the following fiscal year. Although many would argue that the appropriation planning starts months or even years prior to that time, the general public generally recognizes the President's budget submittal, along with his State of the Union address, as the most recognizable starting point of appropriations. This section will briefly discuss the enactment of appropriations and how budget authority reaches a federal agency. The remainder of the section will explain the financial chain of command within the Navy. The flow of funds, along with appropriate titles and examples, will be provided so that the reader will be able to visualize how funds are allocated. After the President submits his budget proposal for the upcoming fiscal year, Congress will, after many debates and discussions, enact budget authority in the form of appropriations. Figure 2.1 highlights the discussion of appropriation and budget authority.

The President should sign into law the Department of Defense Appropriation prior to the beginning of the fiscal year. Although the appropriation

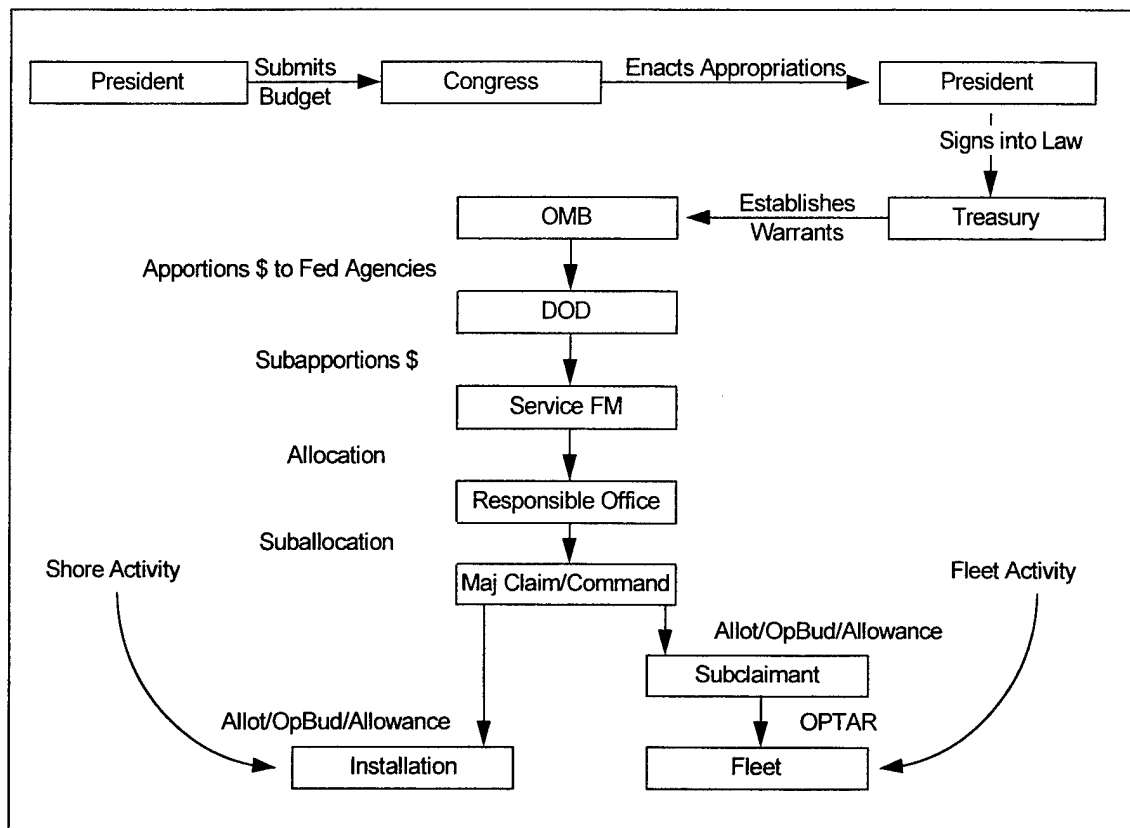


Figure 2.1. Flow of Budget Authority for Appropriated Activities

should be available for allocation prior to 1 October of each year, it does not always get signed into law on time; due to a number of factors, primarily of a political nature. For the simplicity of this thesis, the author makes the assumption that the DOD Appropriations Bill is signed prior to 1 October. In essence, by the President signing the appropriation into law, he is setting up a “checking account” in the Treasury for the amount of the appropriation. This “checking account” will start with a balance equal to the appropriation authorized by Congress plus any unobligated prior year money. If the appropriation is an expense account, the budget authority should be zero at the beginning of each

fiscal year. If the appropriation is an investment account, the appropriate carry-over authority will be added to the new authority and the sum will be the beginning balance. Expense and Investment appropriation accounts will be discussed in Chapter III. With appropriation warrants established in the Treasury, OMB has the authority to apportion money to federal agencies; in the case of this thesis, the Department of Defense. A warrant is an official document issued by the Secretary of the Treasury and countersigned by the Comptroller General of the United States authorizing the withdrawal of money from the Treasury; warrants are issued after appropriations and similar congressional authority have been enacted (Practical Comptrollers Course (PCC), 1996).

The DOD, specifically the Under Secretary of Defense (Comptroller) (USD (C)), will subapportion budget authority to each of the service's financial managers. For the Navy, the recipient will be the Assistant Secretary of the Navy (Financial Management & Comptroller) (ASN (FM&C)). Under the ASN (FM&C), both the Chief of Naval Operations (CNO) and Commandant of the Marine Corps (CMC) have fiscal directors for finances. For simplicity, this thesis will follow and use as an example, the flow of budget authority through the CNO's financial chain of command; which is very similar to the CMC's. The CNO is the responsible office represented in Figure 2.1 and is the financial manager for the entire budget authority subapportioned to his office. The CNO suballocates budget authority to major claimants/commands. A major claimant is a bureau, office, or command that receives an operating budget directly from the

Chief of Naval Operations Fiscal Management Division. Examples of a major claimant are the Bureau of Naval Personnel (BUPERS), the Chief of Naval Education and Training (CNET), the Naval Supply Systems Command (NAVSUP), and Commander in Chief, United States Pacific Fleet, (CINCPACFLT).

The major claimants receive allocations from the CNO, and suballocate budget authority to either an installation or subclaimant. A base or installation is also financially known as a Fund Adminstrating Activity (FAA). An example of a subclaimant might be a Type Commander (TYCOM). The Naval Postgraduate School is a FAA while an organization such as Commander, Naval Surface Force, Pacific (COMNAVSURFPAC) is an example of a subclaimant. It is at the major claimant, FAA, and subclaimant level that financial transactions such as commitments, obligations, and others discussed in Chapter I most commonly take place. Below the FAA and subclaimant levels are cost centers and fleet units.

Cost centers and fleet units will both receive operating targets (OPTARs); which are administrative, rather than legal, limitations on expenditures. A cost center at the Naval Postgraduate School, such as the supply department, reports all financial activities to the installation comptroller. The comptroller for the base is responsible for the overall financial operations of the base. Consequently, he/she will be legally held responsible for not exceeding the allocated budget authority. A fleet unit, such as USS Antietam (CG 54), will have its transactions

monitored by the TYCOM; who holds legal financial responsibility for funds allocated to the ship. Figure 2.2 is an example of the Department of the Navy's financial chain of command.

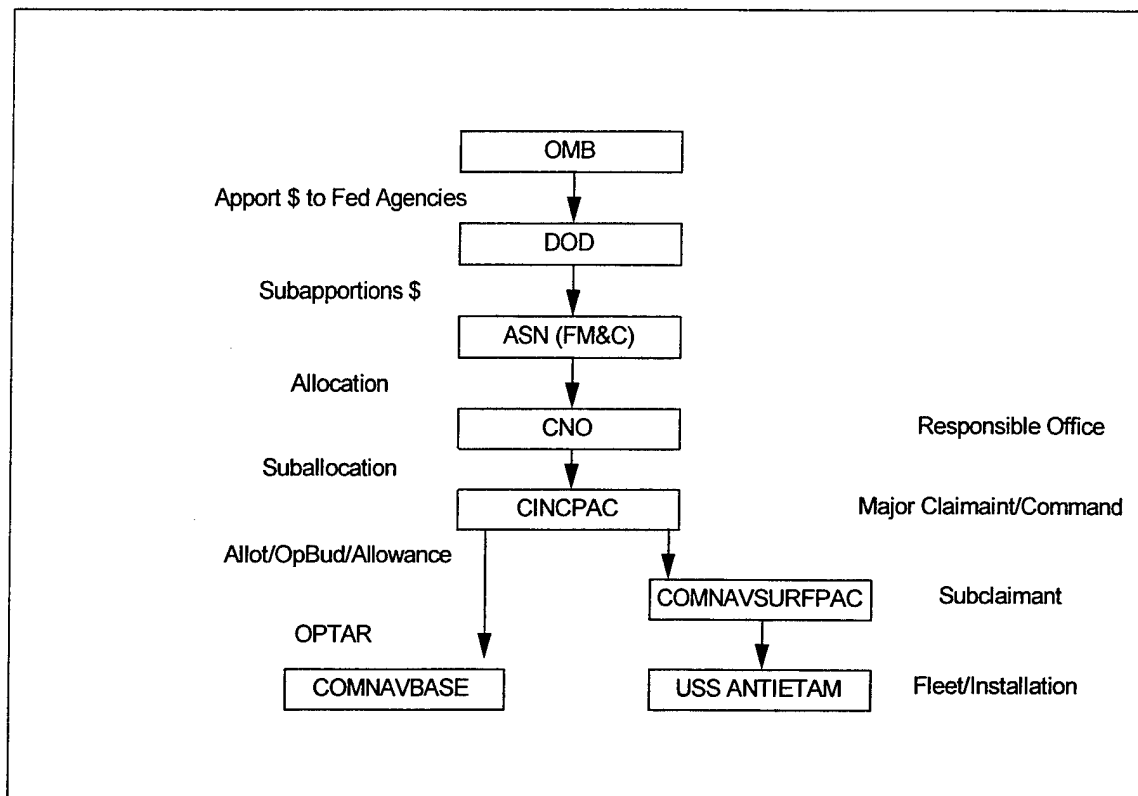


Figure 2.2. Typical Example of DON Financial Chain of Command

The next sequence of events for an appropriation's life cycle involves the obligation and payment for material or services.

C. APPROPRIATION OBLIGATION TRANSACTIONS

Once an installation or fleet unit obligates government funds, the designated Authorization Accounting Activity (AAA) will get involved in the budgetary financial reporting. This section will first discuss the AAA; secondly,

the actions that transpire as a result of an obligation; and then conclude with an illustration of a simple transaction involving payment of a bill. The AAA's function as a disinterested activity designated by Defense Finance and Accounting Service (DFAS) Cleveland is to process the accounting information for Navy activities; the title given to an AAA is an Operating Location (OPLOC). The OPLOC's role in Navy financial accounting is to act as both an Authorization Accounting Activity and bill paying activity.

When an organization obligates funds, a copy of the order is generated and sent to both the vendor and to the AAA/OPLOC. The Defense Finance Accounting Service has designated OPLOC's for each entity in the Navy. These OPLOCs are responsible for keeping the official financial accounting records for the organizations that they have been assigned and, as such, are the designated bill paying offices; responsible for all commercial bill paying. One of the many reasons for an OPLOC is to promptly pay vendors for material or services provided to Naval organizations. Tardiness in the government paying its bills prompted President Reagan to take action in the early 1980's.

On May 21, 1982, as a result of the negligence of the government paying its bills, President Ronald Reagan signed into law (Public Law 97-177) the Prompt Payment Act (PCC, 1996).

The Prompt Payment Act requires that federal agencies:

- ◆ Pay bills on time

- ♦ Pay interest penalties when payments are late
- ♦ Take discounts only when applicable.

When an installation or fleet unit receives ordered material or services from a vendor, a certified invoice will be sent by the installation/unit to the designated OPLOC for payment. The OPLOC will compare the certified invoice to the original order obligating funds to ensure there is a match. If there is a match, the OPLOC will immediately send payment to the vendor and conclude that obligation. Figure 2.3 describes the bill paying process flow. If the invoice is

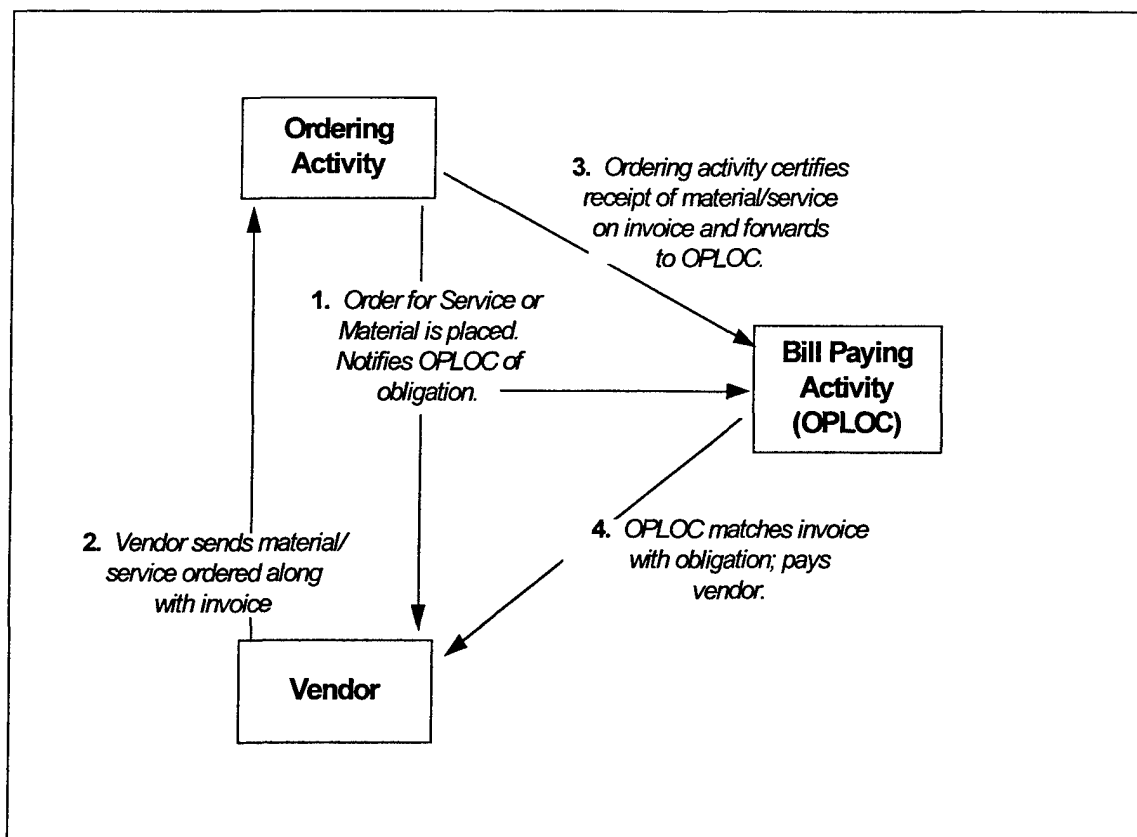


Figure 2.3. Bill Paying Process Flow

paid and it does not match the original order, an unmatched disbursement exists. If an unmatched disbursement exists, the OPLOC will provide a listing to the appropriate entity for reconciliation. Posting errors, transposition of numbers, etc. may be the source of the unmatched figures. It is imperative that the accounts and obligational amounts of the Naval entity and OPLOC match; since the OPLOC's records are considered the official accounting records for the Navy.

A monthly report, NAVCOMPT form 2199 (Trial Balance Report), is the official record and status of the obligation of funds. Each organization should reconcile the 2199 with their locally generated accounting record to ensure that there are no unmatched disbursements. If payment exceeds an obligation, appropriate action should be taken to ensure that the correct amount is reflected at both the organization and OPLOC, and that they are duplicate. A comprehensive discussion of all applicable reports will be discussed in Chapter III.

Each Naval entity may utilize its own accounting record or memorandum records for tracking, locally, the status of its budget authority. It is the prerogative of the organization to use what works best for it; whether it be manual records or a spreadsheet on a computer. The locally generated records will provide the figures to match against the official trial balance report; NAVCOMPT form 2199. The distribution of the locally generated financial accounting reports will be discussed next.

D. FLOW OF FINANCIAL REPORTS AND INFORMATION

The function of the OPLOCs in supporting Naval organizations includes processing accounting information and maintaining that information in a data base (PCC, 1996). The OPLOC will process the transactions reported by a fleet unit or installation and periodically, usually monthly, provide reports to all concerned organizations in the financial chain of command. This section will provide a brief description of the general flow of both the accounting reports and information generated by the OPLOCs. The actual reports generated by the OPLOCs will be discussed in Chapter III and the accounting systems involved in the entire appropriation life cycle will be discussed in Chapter IV. Figure 2.4 describes the OPLOC accounting report and information distribution function. As a fleet unit or installation completes a transaction, the designated OPLOC will process and maintain the information for later use. Monthly, the OPLOC will compile all financial information into reports for distribution. The OPLOCs will distribute the financial reports to the appropriate distributor of funds (e.g., to the service financial manager).

The service financial manager will utilize the designated accounting activity to compile information, which is ultimately reported to USD(C). In our example in this thesis, ASN (FM&C) utilizes DFAS-Cleveland for the Navy information and DFAS-Kansas City for the Marine Corps accounting information. This information will also be submitted to higher authority; specifically to the Office of Management and Budget (OMB) and the Treasury. The preceding

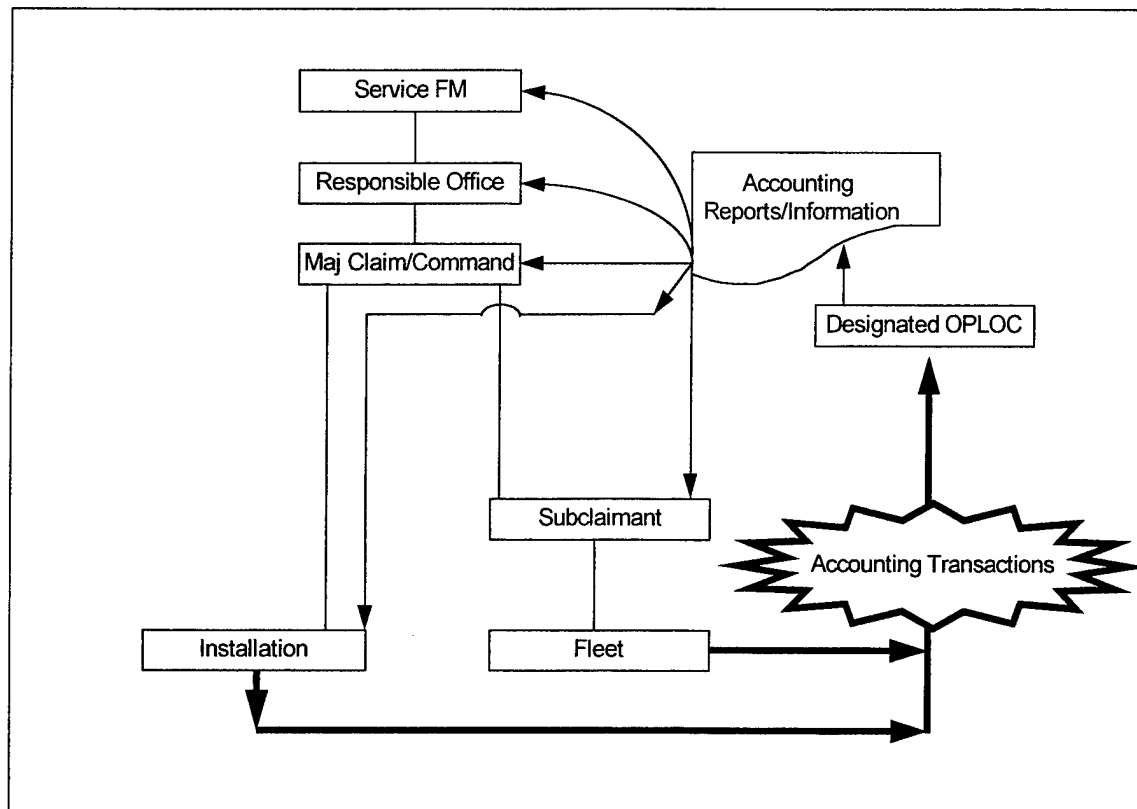


Figure 2.4. The OPLOC Accounting Function

sections discussed the appropriation funding structure. The other funding structure in the Navy is the revolving fund or "Defense Business Operations Fund (DBOF);" which is discussed in Appendix E.

E. SUMMARY

The objective of this chapter was to provide a "snap shot" picture of the life cycle of an appropriation. This chapter described, from an aggregate point of view, the general flow of funds, what happens when a transaction is executed, and how the transaction is both processed and reported to the appropriate responsible office.

The next chapter will discuss, in great detail, the actual reports generated by the OPLOCs, their content, and how those reports are used. Chapter IV will discuss the organizations and information technology systems involved in budgetary financial reporting, followed by an evaluation of Navy budgetary financial reporting in Chapter V.

III. BUDGETARY FINANCIAL REPORTS UTILIZED IN THE NAVY

A. INTRODUCTION

Chapter II provided an aggregate view of the flow of financial budget authority and how that authority is both obligated and reported to the fund distribution offices. Chapter II also discussed to whom the reports and accounting information were distributed. This chapter will continue to discuss Navy budgetary financial reporting by analyzing the primary reports utilized by the operating locations (OPLOCs) and the Assistant Secretary of the Navy (Financial Management and Comptroller) (ASN (FM&C)). The ASN (FM&C) has the overall responsibility for the Navy's financial operations. Figure 3.1 is an aggregate view of the Navy's financial reporting system, involving the budgetary reports that will be discussed in this chapter.

This chapter is broken down into three sections. The first section will discuss and compare private sector accounting against Navy budgetary accounting. The second section will discuss Congressional appropriations, explain their differences, and summarize how each appropriation's budget authority is reported. The third section will explain, debate, and illustrate the actual budgetary financial accounting reports utilized in the Navy.

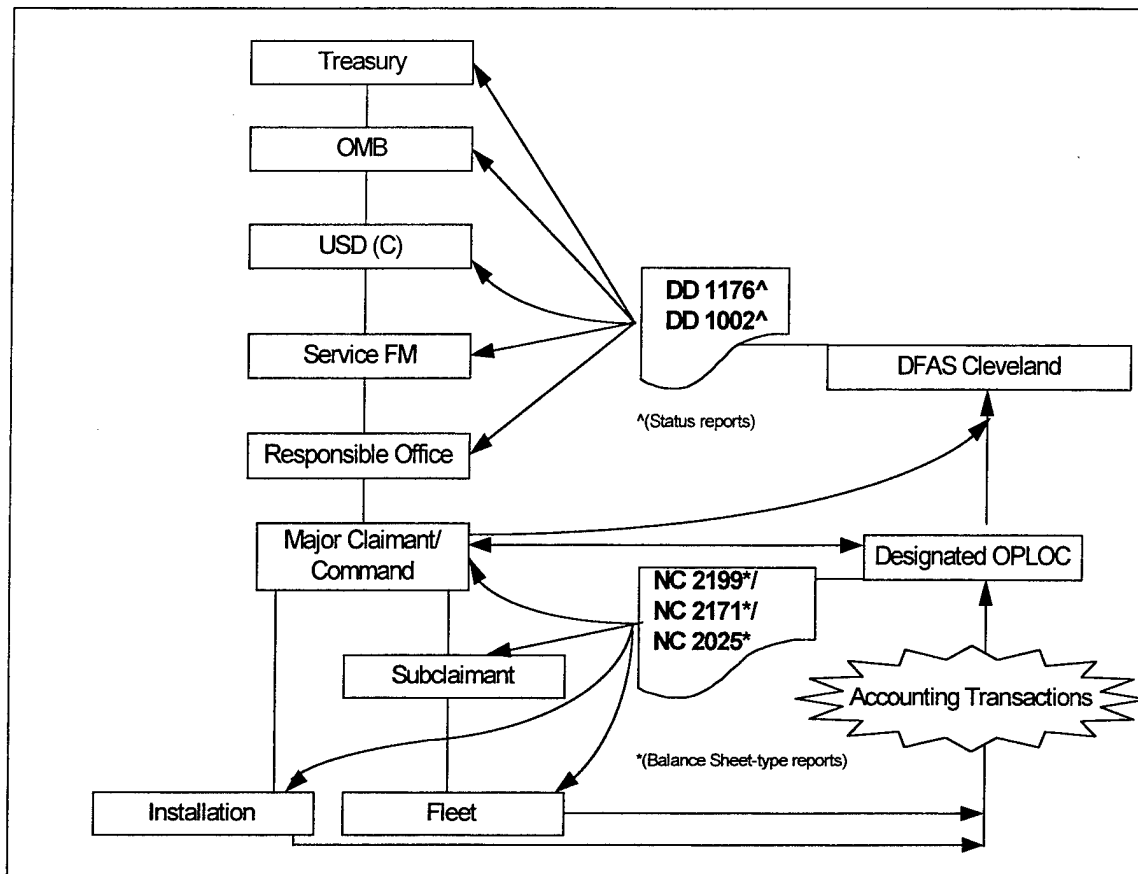


Figure 3.1. Budgetary Financial Reporting in the Navy

B. PRIVATE SECTOR ACCOUNTING CONCEPTS VERSUS NAVY BUDGETARY ACCOUNTING

This section will compare private sector financial reporting to budgetary financial reporting in the Navy. This comparison will be made by employing one of the most basic concepts in private sector accounting; the Balance Sheet and the Balance Sheet Equation. The budgetary financial reports in the Navy involve equations resembling those of a private sector balance sheet, so by linking them

together, the reader will have a better understanding of Navy budgetary reporting.

A closer look at the private sector balance sheet reveals that it is comprised of three parts: Assets, Liabilities, and Owner's Equity. The first portion of this section will take a detailed look at each part of the balance sheet as utilized by the private sector. The second part of this section will analyze the balance sheet equation, as utilized by the Navy for budgetary financial reporting. The third part will compare and contrast private sector and Navy balance sheet equations. The baseline to be used in discussing and comparing financial reporting will be the private sector balance sheet equation.

1. Private Sector Balance Sheet

The balance sheet in the private sector is a statement of financial position of an individual or firm on a given date; displayed by different account classifications. The origin of these classifications is derived from the basic accounting (also known as the balance sheet) equation:

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

This segment will discuss, from a private sector perspective, each part of the balance sheet equation. An overview of this section and the private sector balance sheet equation is provided in Figure 3.2.

a. Assets

The first part of the balance sheet equation is Assets. Private sector assets are commonly exhibited as: cash, accounts receivable, inventory,

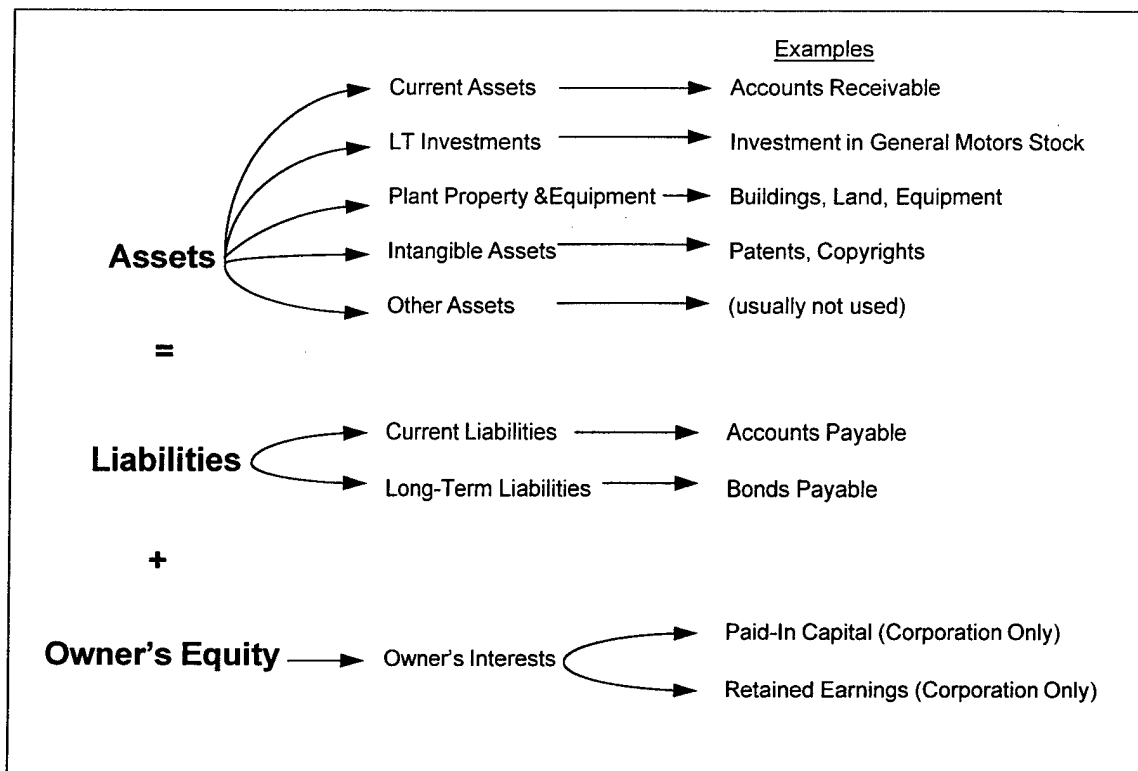


Figure 3.2. Private Sector Balance Sheet Equation

equipment, land, patents, copyrights, etc.... The asset portion of the balance sheet equation can be broken down even further. Examples of the different types of assets include:

- ♦ Current assets:
 - Cash
 - Inventory
 - Other assets expected to be sold or consumed within a normal operating cycle or within one year; whichever is longer (e.g., Accounts receivable).
- ♦ Long-term: Investments
 - Investments or funds that are held in excess of a normal operating cycle or

one year; but not used in normal business operations (e.g., Investment in General Motors stock).

- ◆ Property, Plant, & Equipment: Tangible, long lived assets used in business operations (e.g., Buildings, equipment, land).
- ◆ Intangible assets: Non-physical long-lived assets (e.g., Patents/copyrights)
- ◆ Other Assets: Assets that do not fit into one of the other categories. (Usually not needed).

b. Liabilities

The first classification on the right side of the balance sheet equation is liabilities. Liability in the private sector is best described as debt; usually in the form of accounts payable. Liability can be broken down further into current and long-term liabilities:

- ◆ Current Liabilities: Obligations whose liquidation can be expected within an operating cycle or within one year; whichever is longer (e.g., Accounts Payable).
- ◆ Long-term Liabilities: All other liabilities payable later than one operating cycle or one year (e.g., Bonds Payable).

c. Owner's Equity

The final part of the basic accounting equation is owner's equity. Owner's equity in the private sector typically represents the amount of interest the owners can claim. In a sole proprietorship or partnership, owner's equity is

represented by the amount of owner funds invested in or retained by the company. In a corporation, the owner's interest is called stockholder's equity; which can be further broken down into paid-in capital and retained earnings.

- ♦ Paid-in Capital: Amounts paid by stockholders for shares of stock in the corporation.
- ♦ Retained Earnings: Undistributed earnings of the corporation.

2. Navy Financial Reporting

Budgetary financial reporting in the Navy can be compared to private sector accounting. This segment will discuss Navy budgetary accounting. Additionally, this segment of the chapter will analyze and discuss the derivation of each part of the Navy's balance sheet equation and will confirm its relativity to the private sector. As will be examined further in the next chapter, the primary accounting system utilized in the Navy is STARS (Standard Accounting and Reporting System). The underlying accounting model followed by STARS is (Moses, 1996):

$$\text{Assets} = \text{Liabilities} + \text{Investments} + \text{Income} - \text{Expenses}$$

Which, when compared to private sector accounting, is the same basic balance sheet equation. An overview of the Navy's balance sheet equation is provided in Figure 3.3.

a. Assets

In Navy budgetary accounting, assets come in the form of budget authority. This authority or status of authority is the amount that is reported to

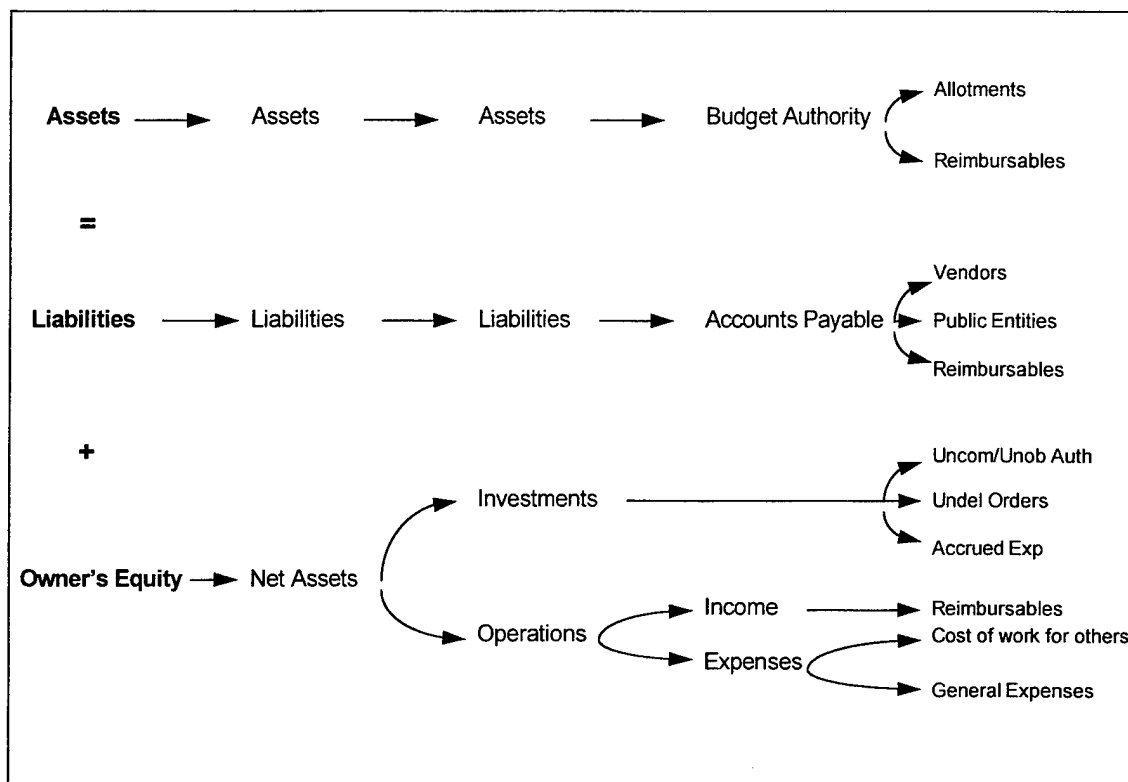


Figure 3.3. Navy Balance Sheet Equation

the funds distributor. Budget authority comes from two sources: appropriation allotments and reimbursable authority. An example of an appropriation allotment is the amount of funds allotted for Operations & Maintenance, Navy (O&M,N). Reimbursable authority is the authority, granted by another activity, to spend funds; the aspect of reimbursables was discussed in Chapter II. The sum of appropriation allotments and reimbursable authority is equal to the total budget authority (TBA); also referred to as the total obligational authority (TOA). Thus, the Navy's budgetary assets can be illustrated with:

$$\text{Budget Authority} = \text{Allotments} + \text{Reimbursables}.$$

b. Liabilities

Liabilities in the Navy are essentially the same as those found in the private sector. Accounts payable in the Navy is the same as it is in the private sector; and is represented by payables to entities such as vendors, public entities, etc.... The difference between the two is that, when applicable, a Navy activity's accounts payable to another government activity is referred to as a reimbursable; a term not used in the private sector. Thus, liability in the Navy can be expressed as:

$$\text{Liabilities} = \text{Accounts payable (Vendors + Public + Reimbursables)}.$$

c. Owner's Equity (Investments, Income, and Expenses)

Thus far, the Navy's balance sheet equation has fundamentally matched the private sector equation. It is at the owner's equity section that the difference between the two is substantially exposed. In the Navy, owner's equity is that authority of an appropriation that, like the private sector, represents the interest of the owners (i.e., The owner's equity section of the Navy's budgetary balance sheet equation is a status of authority for the resources provided). In the Navy balance sheet equation, this consists of investments, income, and expenses. These investments, income, and expenses can be explained further (The following illustration provides a few of the more common Navy examples):

◆ <u>Investments:</u>	Uncommitted/Unobligated Authorizations Undelivered Orders/Outstanding Obligations Accrued Expenditures/Expenses
-----------------------	---

- ◆ Income: Reimbursables from other activities
- ◆ Expenses: General costs of day-to-day operations.

3. Navy and Private Sector Balance Sheet Equation Comparison

A quick association of the Navy and private sector balance sheet equation reveals that they are analogous; both serving purposes within their environment.

Figure 3.4 is an overview of their comparison. Thus, when analyzing each of the

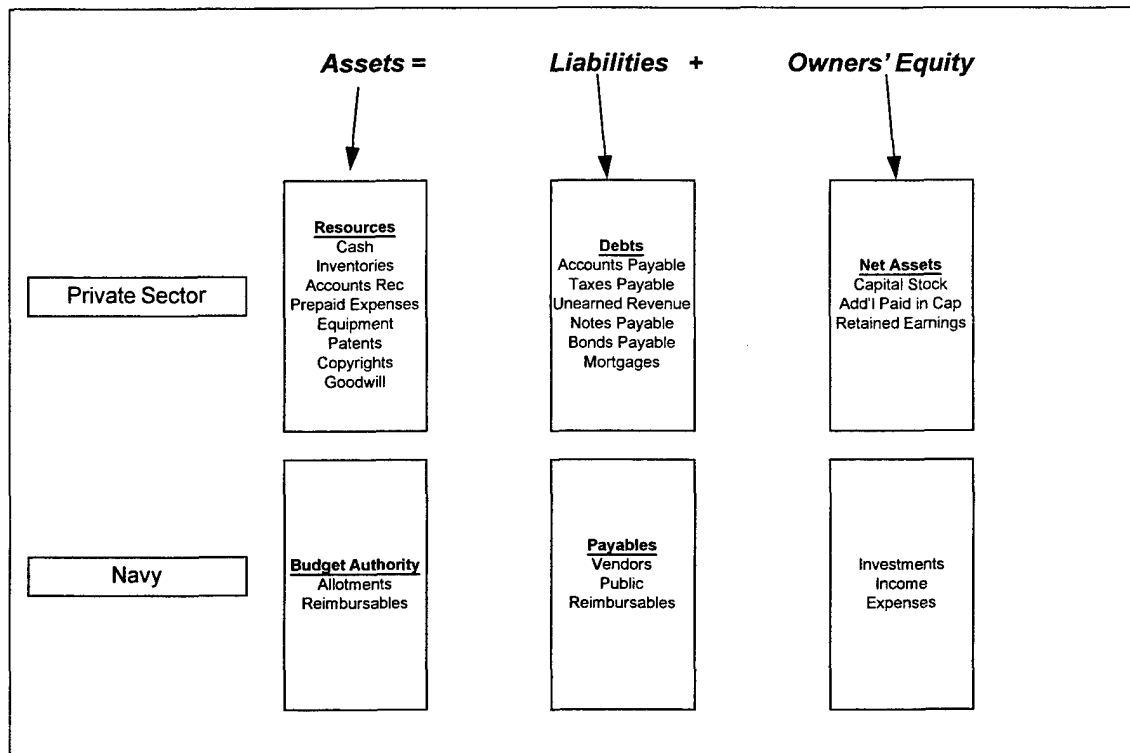


Figure 3.4. Navy & Private Sector Balance Sheet Equation Comparison

Navy's budgetary financial reports, one can functionally compare them to private sector accounting report equations. To conclude the comparison, this segment

of the chapter will look at each part of the private sector balance sheet equation and compare it to the Navy's equation.

a. *Assets*

A comparison of the private sector versus the Navy reveals that both are a form of resources for an entity. In the Navy's budgetary equation, asset refers to the source of the budget authority; reflected as authority, reimbursables, accounts receivable, and funds collected. The private sector has other assets that are not normally comparable to the Navy's budgetary reporting. For example, assets such as physical inventories, equipment, patents, etc... are not considered in budgetary reporting in the Navy; they are found in proprietary reporting.

b. *Liabilities*

A look at the private sector and Navy supports the conclusion that their liabilities are similar; both have a form of accounts payable or debt. However, the Navy has mostly short-term payables while the private sector has more varied payables; such as bonds. Additionally, the private sector gets involved with issues such as taxes; the Navy does not.

c. *Owner's Equity*

Both private sector and Navy activities report to a funds provider. For the private sector, the funds provider is either a proprietor, partner, or stock owner. The funds provider for the Navy is usually the next higher level of command. Both the private sector and Navy measure status of funds for their

individual organization. The private sector measures the status of funds by its retained earnings (in a corporation, the status is measured through both paid-in capital and retained earnings). The Navy measures its status of funds through three components: Investments, Income, and Expenses.

d. *Benefits of Private Sector vs Navy Balance Sheet*

Equation Comparison

Comparison allows the reader to have a benchmark from which all performance and reports can be understood. The basic accounting models of the private sector and Navy are essentially the same. However, the terminology is somewhat different between the two. Providing linkage between the private sector and Navy allows the reader to comprehend the relationship of the Navy's budgetary financial accounting reports.

C. APPROPRIATIONS

As discussed in Chapter II, funding for the Navy is approved by Congress in the form of an appropriation. Within the Department of the Navy, there are approximately ten major appropriations distributed by Congress. This section of the chapter will discuss those ten appropriations, along with a few other miscellaneous ones. At the field level, different appropriation-types utilize different reports. By describing the appropriations, the reader will be able to ascertain the appropriate financial report used for budgetary financial reporting to higher authority.

The first part of this section will list the different appropriations, describe what each is used for, and, where applicable, provide a responsible office for the execution of the appropriation. The second part of this section will categorize the appropriations into two fundamental classifications. The final part of this section will discuss how the status of each appropriation is reported to higher authority.

1. Appropriations Defined

Depending on the year, there are approximately sixteen to eighteen annual appropriations provided to the Navy. This segment will provide a list of appropriations usually provided by Congress, along with some that are not so common. Additionally, each of the appropriations will have a description as to its purpose, along with the responsible budget execution office.

a. List of Appropriations

Congress provides ten major appropriations to the Navy, along with six other subcategorized appropriations. A list of all sixteen is provided below (PCC, 1996):

- ◆ Operation and Maintenance Navy (O&M,N)
 - Operation and Maintenance, Navy Reserve (O&M,NR)
 - Operation and Maintenance, Marine Corps (O&M,MC)
 - Operation and Maintenance, Marine Corps Reserve (O&M,MCR)
- ◆ Military Personnel, Navy (MP,N)
 - Military Personnel, Marine Corps (MP,MC)
 - Reserve Personnel, Navy (RP,N)
 - Reserve Personnel, Marine Corps (RP,MC)

- ◆ Research, Development, Test and Evaluation, Navy (RDT&E,N)
- ◆ Aircraft Procurement, Navy (AP,N)
- ◆ Weapons Procurement, Navy (WP,N)
- ◆ Procurement, Marine Corps (P,MC)
- ◆ Other Procurement, Navy (OP,N)
- ◆ Shipbuilding & Conversion, Navy (SC,N)
- ◆ Military Construction, Navy (MC,N)
- ◆ Family Housing, Navy and Marine Corps (FH, N&MC)

Other Appropriations (These are not normal annual appropriations; they are provided as an example of special, circumstantially-driven appropriations):

- ◆ National Defense Sealift Fund (NDSF)
- ◆ Base Realignment and Closure (BRAC)

b. Appropriation Descriptions

Each of the appropriations has a particular purpose. Those purposes, along with their responsible offices are provided below:

<u>APPROPRIATION</u>	<u>PURPOSE/RESPONSIBLE OFFICE</u>
◆ O&M,N	Finance cost of ongoing operations
• O&M,NR	(e.g., Base operations, steaming days/
• O&M,MC	flying hours, maintenance, etc...)/
• O&M,MCR	Chief of Naval Operations
◆ MP,N	Finance cost of active duty personnel
• MP,MC	(e.g., military pay, clothing, subsistence,
• RP,N	PCS etc...)/
• RP,MC	Chief of Naval Operations

- ◆ RDT&E,N Finance cost of scientific research, development, test and evaluation of new and improved weapons systems and related equipment./
Office of the Chief of Naval Research
- ◆ AP,N Finance procurement of Navy and Marine Corps aircraft and supporting programs./
Chief of Naval Operations
- ◆ WP,N Finance procurement of missiles, guns, and supporting equipment./
Chief of Naval Operations
- ◆ P,MC Finance cost of Marine Corps ammunition, combat vehicles, weapons, etc.../
Commandant of the Marine Corps
- ◆ OP,N Finance procurement of production and modernization of equipment not otherwise provided for./
Chief of Naval Operations
- ◆ SC,N Finance construction of new ships and conversion of existing ships./
Chief of Naval Operations
- ◆ MC,N Finance installation and facilities via funding land purchases and construction./
Chief of Naval Operations
- ◆ FH,N&MC Finance cost of operation and maintenance and construction of family housing for the Navy and Marine Corps./
Chief of Naval Operations.
- ◆ NDSF Finance construction, acquisition, conversion, and related R&D of ships to

be used for propositioning and surge requirements.

- ◆ BRAC Finance the Base realignment and closure of Congressionally mandated closures and realignments.

c. Appropriation Types

Appropriation types can be divided into two categories; expense and investment. The first division is expense-type appropriations which finance the cost of ongoing operations; the obligational period for expense-type appropriations is one year. The second type of appropriation is for investments, whose obligational time periods are greater than one year; and for financing military construction and procurement.

The following is a list of expense-type appropriations:

- ◆ Operation and Maintenance, Navy (O&M,N)
 - Operation and Maintenance, Navy Reserve (O&M,NR)
 - Operation and Maintenance, Marine Corps (O&M,MC)
 - Operation and Maintenance, Marine Corps Reserve (O&M,MCR)
- ◆ Military Personnel, Navy (MP,N)
 - Military Personnel, Marine Corps (MP,MC)
 - Reserve Personnel, Navy (RP,N)
 - Reserve Personnel, Marine Corps (RP,MC)

RDT&E, N is considered both an expense and investment appropriation. It meets and/or supports the requirement of both purposes; ongoing operations and procurement/military construction.

The investment-type appropriations, with obligational time periods in excess of one year, make up the remainder of the Navy's appropriations.

These appropriations finance procurement and military construction.

Investment-type appropriations include:

- ◆ Aircraft Procurement, Navy (AP,N)
- ◆ Weapons Procurement, Navy (WP,N)
- ◆ Procurement, Marine Corps (P,MC)
- ◆ Other Procurement, Navy (OP,N)
- ◆ Shipbuilding & Conversion, Navy (SC,N)
- ◆ Military Construction, Navy (MC,N)
- ◆ Family Housing, Navy and Marine Corps (FH, N&MC)

The other two appropriations previously mentioned represent those situations where recent events dictate a need to provide additional appropriations to meet contingencies. Because of the time period involved in the two examples provided above, these appropriations would most likely be investment-type appropriations; however, not all special/one-time appropriations are investments. Figure 3.5 breaks the appropriations down into their respective categories. Once the appropriations have been defined, described, and categorized, they can be linked to a particular budgetary financial report.

**d. Financial Reports for Expense and Investment Type
Appropriations**

The primary accounting system utilized in the Navy is STARS. The three financial reports generated by STARS are the Trial Balance Report (NAVCOMPT FORM 2199 (NC 2199)), the Expense Element Report

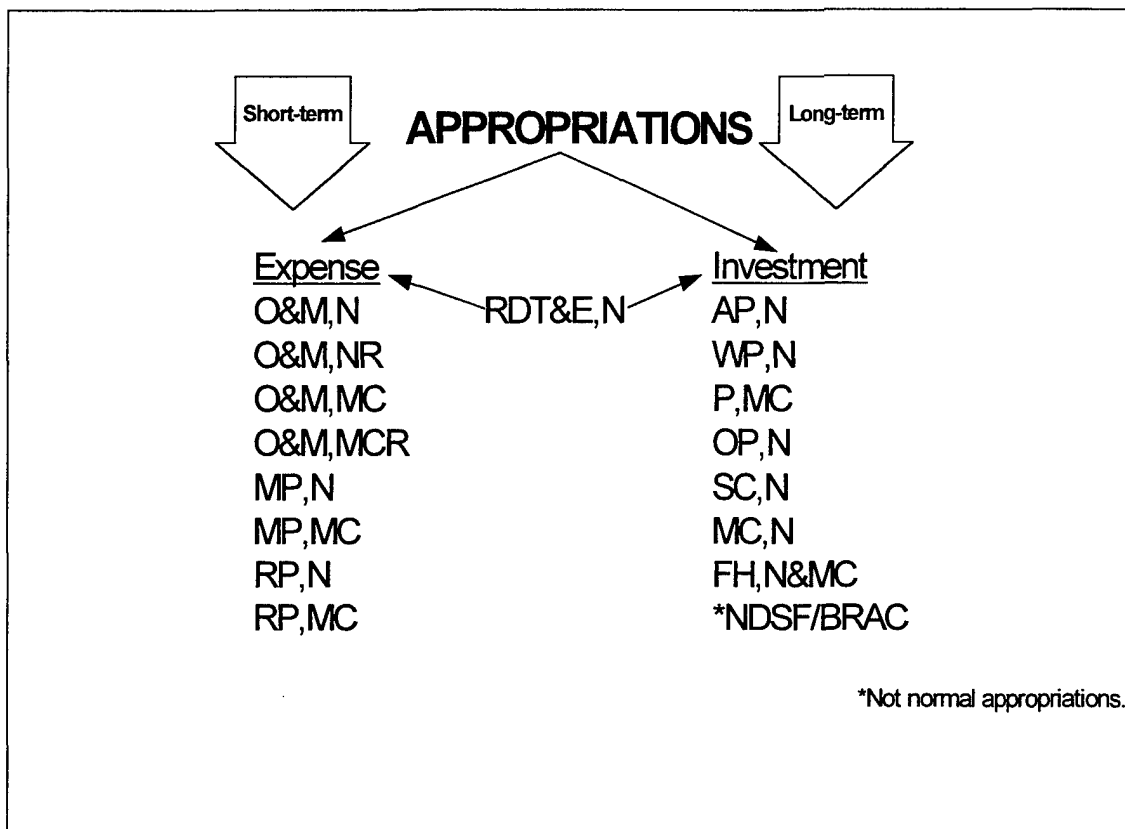


Figure 3.5 Appropriation Categories

(NAVCOMPT 2171 (NC 2171)), and the Fund Status Report (NAVCOMPT 2025 (NC 2025)). The type of appropriation (expense or investment) will determine, at the field level, the type of financial report to be utilized in reporting information to higher authority. This segment will discuss the type of report utilized to report budget execution for both expense and investment type appropriations.

(1) Expense-Type Appropriations. Expense-type appropriations are those appropriations that finance day to day operations and are usually one of two appropriation types: Operations and Maintenance, or

Military Personnel. As one can see from figure 3.5, approximately nine different appropriations fall into the expense-type category. Two reports are used in reporting budget execution for expense-type appropriations (at the field level); the Trial Balance Report and the Expense Element Report.

(2) Investment-Type Appropriations. Investment-type appropriations finance the long-term, ongoing operations, such as procurement and military construction. Figure 3.5 confirms that approximately eight normal appropriations fall under the investment-type category. The report that is utilized to account for investment-type appropriations, at the field level, is the Fund Status Report.

e. *Appropriation Summary*

This section of the chapter defined Congressional appropriations, their purpose, responsible office, and the type of report used to send financial information to higher authority. There are approximately sixteen to eighteen different appropriations allotted by Congress each year. Some are for only one year while others are for multiple years. Appropriations are categorized by their purpose and duration of fund availability. The type of appropriation determines the report to be utilized, at the field level, in reporting financial information.

D. FINANCIAL ACCOUNTING REPORTS

There are five primary financial reports utilized throughout the Navy to report budget execution to higher authority. Three of the reports are used at the

field level, while the other two are used at the service level. The primary reports utilized at the field level are:

- ◆ NAVCOMPT 2199 Trial Balance Report
- ◆ NAVCOMPT 2171 Expense Element Report
- ◆ NAVCOMPT 2025 Status of Allotment Report

These reports are generated from STARS and, because of the nature of their format, most closely resemble the private sector balance sheet equation discussed in the first part of this chapter.

The two reports utilized at the service level are:

- ◆ DD 1176 Report on Budget Execution
- ◆ DD 1002 Appropriation Status Report

The ASN (FM&C), responsible for financial reporting in the Navy, utilizes its own accounting system to generate the DD 1176 and DD 1002 on a monthly basis. These reports are not as detailed as the field level reports, because the users of the reports do not need detailed information; only the status of allotted funds.

These five reports, three generated by the local OPLOC (for field level activities) and two by DFAS Cleveland (for service level reporting) will be discussed in this section of the chapter. Their relationship to the private sector balance sheet will also be examined.

This section of the chapter will characterize each of the five reports listed above (as they fit into the Navy financial reporting model), describe their use, and link the reports to the private-sector accounting model.

1. Trial Balance Report (Navcompt 2199)

The Trial Balance Report is the most useful report utilized within the Navy, and most closely resembles the balance sheet found in the private sector. It is used to report financial information for expense-type appropriations; primarily the O&M and Military Personnel appropriations. The Trial Balance Report is the foundation from which all other reports are generated and provided to higher authority (Financial Management of Resources - (NAVSO P-3013), 1982). It is also considered the official "checkbook" for the organization concerned; and provides the following information: status of funds received (both direct and reimbursables), obligations made (both direct and reimbursables), and the balance remaining. It reports this information utilizing the following equation:

$$\text{Assets} = \text{Liabilities} + \text{Investments} + \text{Income} - \text{Expenses}.$$

As one can see in the Trial Balance Report provided in Appendix B, the headings, from left to right, are:

◆	<u>General Ledger Account (GLA):</u>	Identifies the type of account
◆	<u>Title:</u>	Name
◆	<u>Balance brought forward:</u>	Balance brought forward from the previous report.
◆	<u>Changes:</u>	Current changes
◆	<u>New balance:</u>	New balance, adjusting for the changes.

The major sections in the report are: Assets, Liabilities, Investments, Income,

and Expenses. Within each section, a number is used to identify the GLA. The following is a list of the account numbers for each heading (Zerbe, 1996).

<u>ACCOUNT</u>	<u>ACCOUNT SERIES</u>
ASSETS	1000-1999
LIABILITY	2000-2999
INVESTMENT	3000-3999
INCOME	4000-4999
EXPENSE	5000-5999

Additionally, statistical accounts in the 0900-0999 series and memo/budgetary account numbers in the 9000-9999 series are used for information only and are not part of the Navy's balance sheet equation.

These major sections of the report can be broken down further. Figure 3.6 starts with the basic Navy balance sheet equation and exhibits how the accounts can be broken down further into other subdivisions. One can find these same subdivisions in the Trial Balance Report.

2. Expense Element Report (Navcompt 2171)

The Expense Element Report is a cost accounting report (shows where funds were spent) that provides information on accrued expenses and gross adjusted obligations; it serves as a source/support document for the Trial Balance Report. In the Navy's balance sheet equation of $\text{Assets} = \text{Liabilities} + \text{Investments} + \text{Income} - \text{Expenses}$, the Expense Element Report expands on the

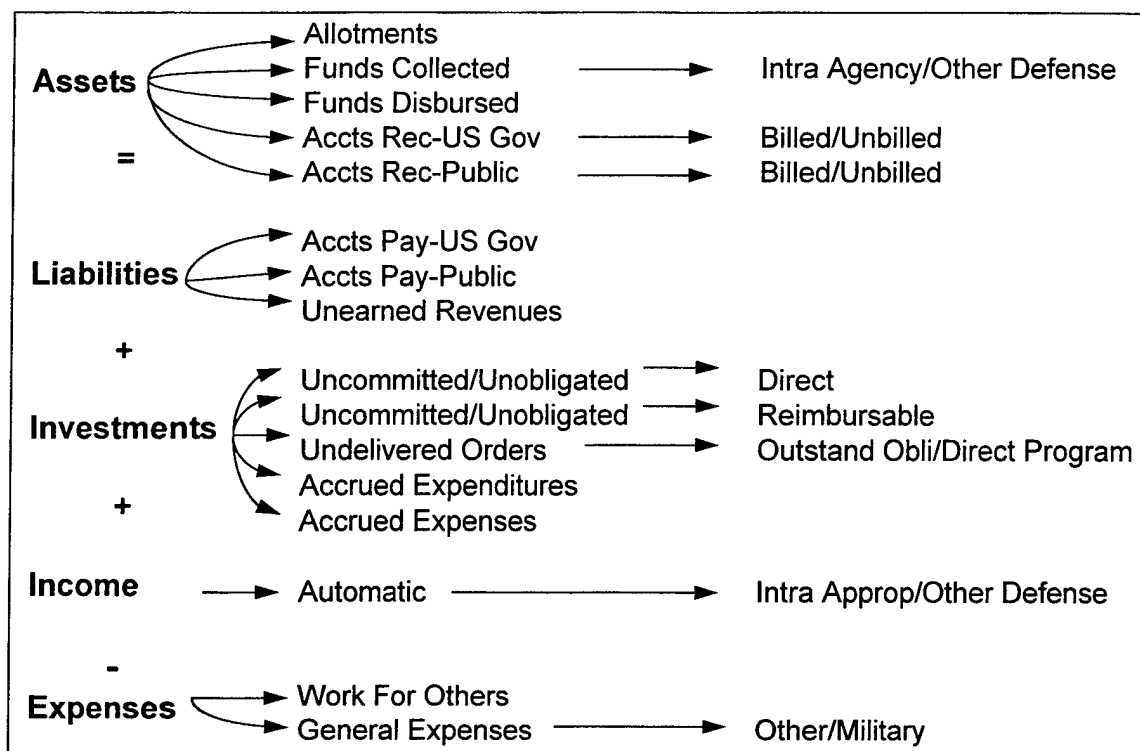


Figure 3.6. Trial Balance Report/Balance Sheet Equation

“Expenses” portion of the equation. Consequently, one should consider it a subcategory of the Trial Balance Report.

The report is divided by subactivity groups or “departments” within an activity group; an activity group reflects the use of appropriated funds. Figure 3.7 is an example of the account tree structure at the Naval Postgraduate School; it shows how the Expense Element Report can catalog the utilization of funds. The three major headings in the report are: Subactivity-functional/subfunctional-expense element heading, the expenses heading, and the gross adjusted obligations heading. The expense and gross adjusted obligation

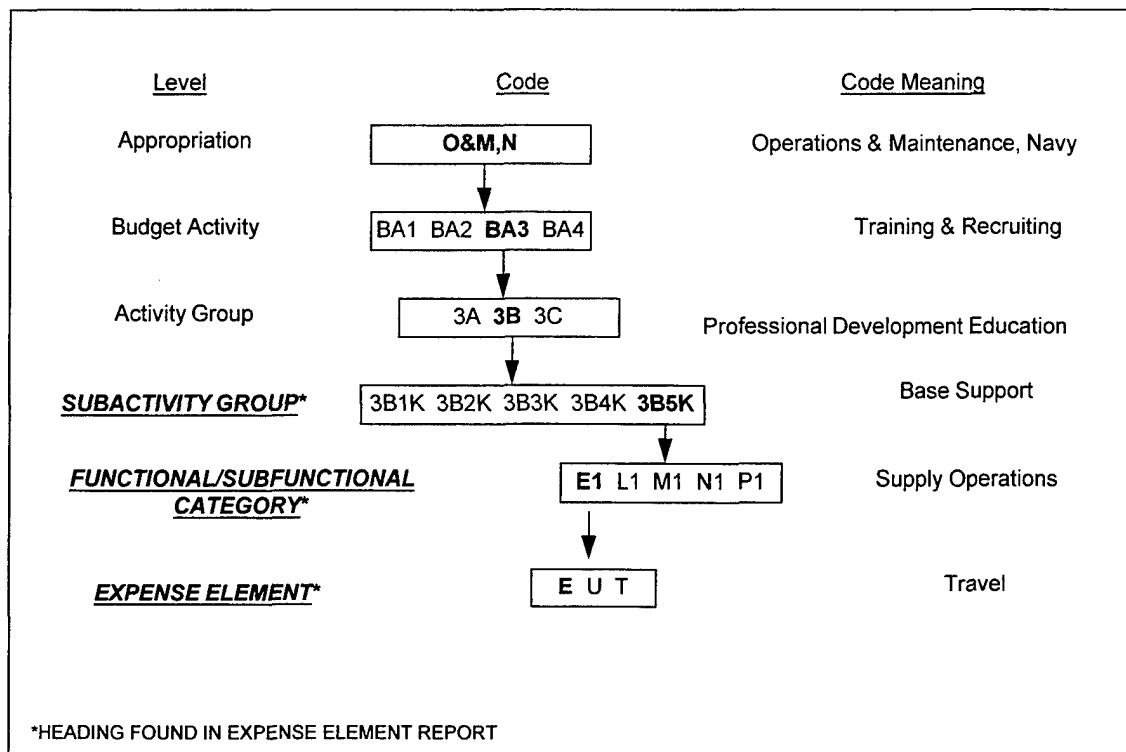


Figure 3.7. NPS Account Tree Structure

sections are further divided into current month and fiscal-year-to-date totals. These headings and sections can be seen in the Expense Element Report provided in Appendix B.

The expanded expense listing of the NC 2171 allows the reader to identify the exact element and account to which expenditures were charged (i.e., who spent what funds and why). By efficiently tracking costs, an activity can recognize issues such as a cost center spending too much or requesting a higher than normal amount of service.

The Expense Element Report is a cost accounting report that only provides accounting information on the accrued expenses and gross obligations.

3. Fund Status Report (Navcompt 2025)

The Fund Status Report, also known as the Status of Allotment Report is used to report the status of all appropriations other than O&M,N , Military Personnel, and RDT&E; which are reported via the Trial Balance Report. The Fund Status Report will list year-to-date balances for an appropriation by the following categories: authorizations, commitments, obligations & disbursements, and uncommitted balance. Like the Trial Balance Report, the Fund Status Report equation is comparable to the private sector balance sheet equation.

For example, the authorizations listed on the Fund Status Report are “assets” in the form of allotments; allotments can be found in the asset section of the Trial Balance Report. Commitments, along with the uncommitted section in the Fund Status Report is comparable to the “investment” section of the Trial Balance Report; a commitment is an administrative reservation of funds which allow the creation of obligations (an official certification of funds).

Uncommitted/Unobligated authority can also be found in the investment section of the Trial Balance Report. Once the obligation is created, the commitment then becomes an obligation and “liability;” which represents a duty to pay at a future date. The disbursement section are those funds that have been paid and thus, are “expenses.” Paralleling the Fund Status Report to the Trial Balance Report equation, one can see that they match. The Fund Status Report equation:

$$\begin{aligned} &\text{Authorizations (Assets) = Obligations(Liabilities) +} \\ &\text{Commitments/Uncommitted Balance(Investments) - Disbursements (Expenses)} \end{aligned}$$

is comparable to the Navy's balance sheet equation and thus, to private sector accounting.

Since the Fund Status Report illustrates procurement and construction appropriations, there is no availability for earned income (such as reimbursables); consequently, "income" is not represented. An example of a Funds Status Report, illustrating the applicable headings is provided in Appendix B.

4. Report on Budget Execution (DD 1176)

Major claimants and major commands are required by regulation to submit financial information to the ASN (FM&C), who will combine and report aggregate financial information to higher authority. Since the ASN (FM&C) does not maintain its own accounting information, the major claimants and major commands submit their information to the accounting activity that does maintain the ASN (FM&C)'s financial records. Consequently, the major claimants and major commands submit financial information, via STARS, to DFAS Cleveland. By accessing STARS, DFAS Cleveland pulls information from the OPLOCs servicing the major claimants and commands. The ASN (FM&C) receives two monthly reports from DFAS Cleveland: Report on Budget Execution (DD 1176) and Appropriation Status Report (DD 1002) (Buckles, 1996). The main difference between the field level (NC 2199, NC 2171, NC 2025) and service level reports (DD 1176, DD 1002) is the need of their user. The fundamental aim of financial reporting is to provide the user with enough information to develop an

educated conclusion; the decisions made at the field and service level are different and thus, so are their financial reports.

Field level activities are concerned with detailed issues such as expenses, liabilities, and income. Service level activities are more concerned with the status of the funds allotted.

The Report on Budget Execution (DD 1176), a monthly fiduciary report (provides information for funds held in trust), provides information on appropriation status by fiscal year (Financial Management Regulation, 1996). This same report is distributed monthly to the Under Secretary of Defense (Comptroller) (USD (C)); quarterly to the Office of Management and Budget (OMB), and is certified annually for the Treasury.

The headings of the report are by fiscal year, for the life of the appropriation. The major sections of the report include: Budgetary Resources, Status of Budgetary Resources, Relation of Obligated Disbursements, Obligation Balance (Net) - End of Period, and Total Accrued Expenditures. Figure 3.8 is a breakdown of the Report on Budget Execution. The report has four major sections; with subcategories:

- ◆ Budgetary Resources (Authority): Authority and Balance of Funds
- ◆ Status of Budgetary Resources: Further explanation of Budgetary
(Status) Resources
- ◆ Relation of Obligations Information on a Balance
Disbursed (Indirect): Brought Forward or funds
transferred.

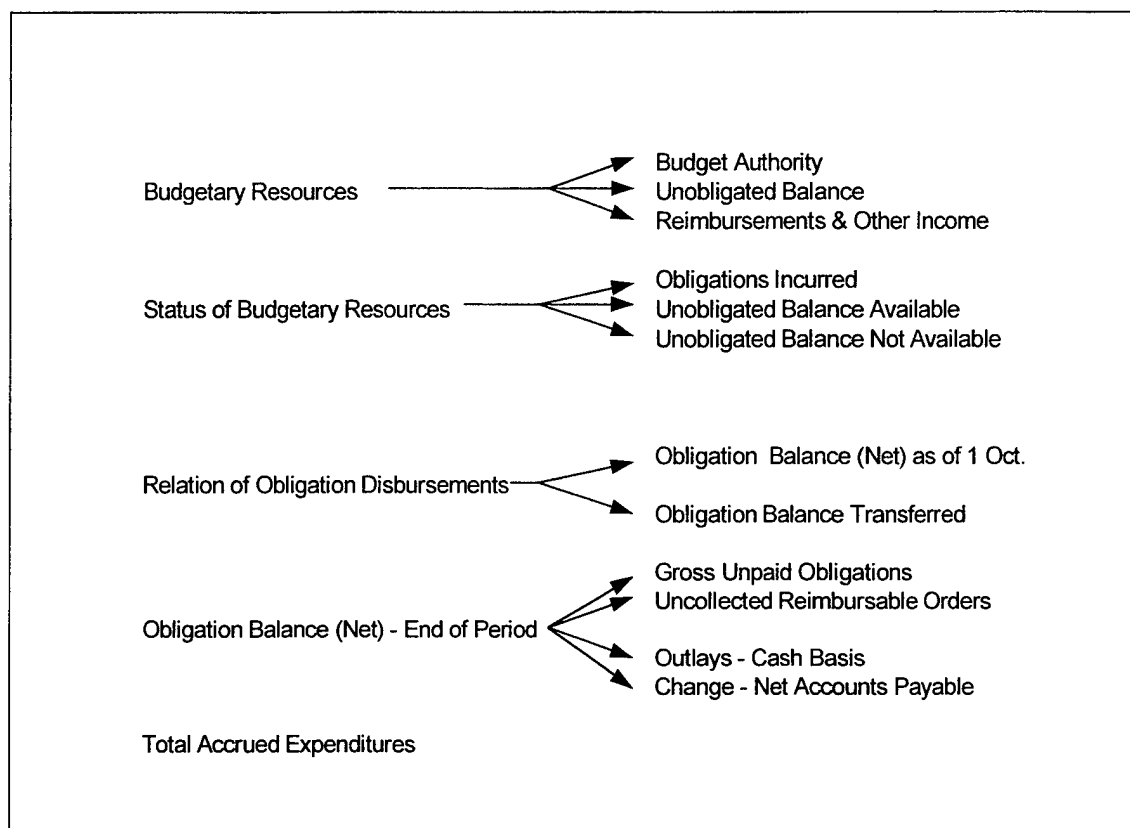


Figure 3.8. Report on Budget Execution (DD 1176) Breakdown

- ◆ Obligation Balance (Net) - End of Period Balance or Status
(End of Period):

One can ascertain from the information provided on the DD 1176 that it provides a “status” of authority for the user, along with supporting numbers for that status.

The objective of the report is to provide the user an aggregate status of an appropriation, for the life of the appropriation. The users of the report are ASN (FM&C), OMB, the Treasury, and ultimately, Congress. Appendix B provides an example of a Budget Execution Report.

5. Appropriation Status Report (DD 1002)

The Appropriation Status Report, also a fiduciary report, is very similar to the Report on Budget Execution except that it is reported for the current fiscal year only. The sections of the report are by Budget Activity (BA) code: BA01 is Operating Forces, BA02 is Mobilization, BA03 is Training and Recruiting, BA04 is Administrative and Service wide Activities, and BA05 is Problem Disbursements in excess of 180 days. In other words, the DD 1002 is the Funds Status Report for the current year; broken down by program and line item (Financial Management of Resource - Appropriations Controls, NAVSO P-3014, 1970). The headings in the report are:

- A. Program by Budget Activity and Line Item
- B. Funds Available from Inception
- C. Funds Available Current FY
- D. Apportioned Amount Available to the End of Current Quarter
(An Apportionment is a limit on the amount of obligations or expenditures which may be incurred during a specified time period (e.g., each quarter). An apportionment may limit all obligations to be incurred during the specified period or it may limit obligations to be incurred for a specific activity, function, project, object, or combination thereof. For example, Congress appropriates \$100,000, but to control obligations and expenditures, OMB only apportions \$25,000 per quarter.)
- E. Current FY Obligations
- F. Unpaid Obligations
- G. Disbursements/Expenditures
- H. Unpaid Obligations-End of Period

- I. Unobligated Balance
- J. Outstanding Commitments

The Appropriation Status report is for the current fiscal year only and provides a more detailed breakdown of an appropriation status, than does the Report on Budget Execution. The Appropriation Status report provides a grand total commensurate with the Report on Budget Execution, but by program and line item (e.g., The total budgetary resources of the DD 1176 (current year) is equal to the grand total of the DD 1002 Funds Available for Current Fiscal Year).

The user of the service level reports can use the DD 1176 to get a big picture of the life of an appropriation, and the DD 1002 for a current fiscal year report of the appropriation. If the user wants information on an appropriation total for the entire Navy, the Report on Budget Execution works best. If the user wants a fund status on something such as air or ship operations, the Appropriation Status Report works best. An example of an Appropriation Status Report can be found in Appendix B.

6. Financial Reports Summarized

Figure 3.9 has incorporated all the reports discussed into a logical picture.

The need of the user is vital in illustrating the proper report; very much like the private sector.

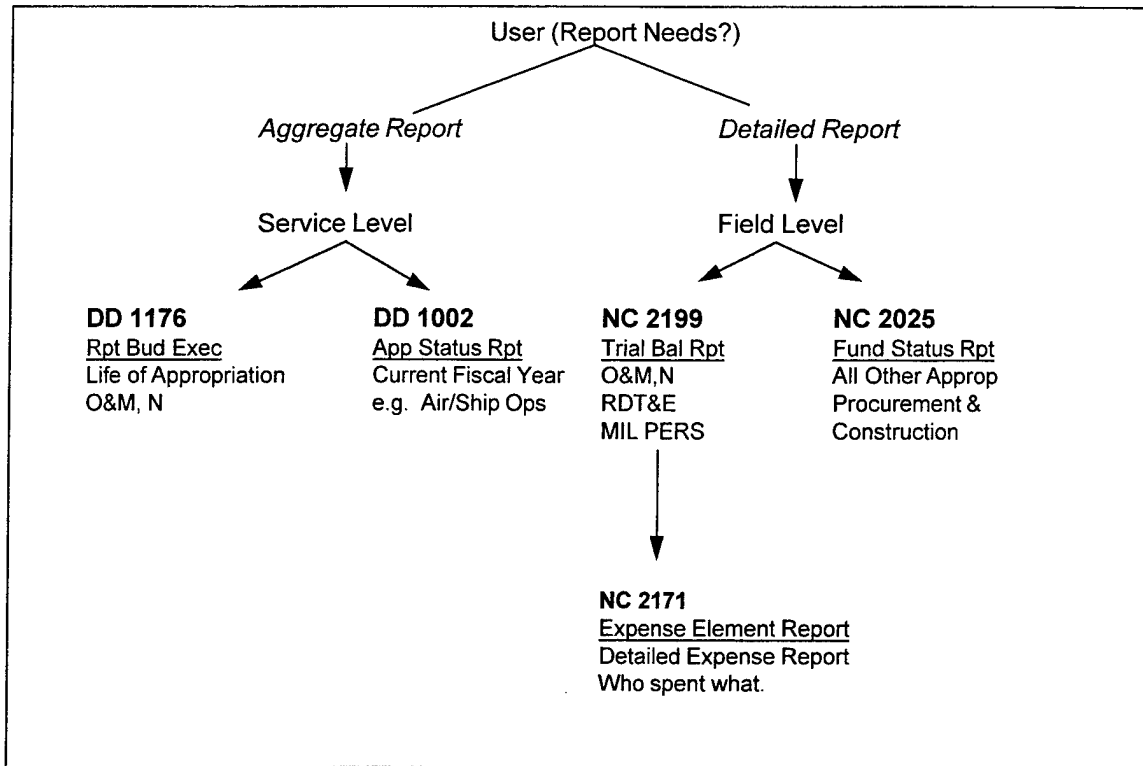


Figure 3.9. Navy Budgetary Financial Reports

Figure 3.10 links Navy accounting to the private sector. The Navy's Trial Balance Report is the most comparable report to the private sector; best resembling the private sector balance sheet equation:

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}$$

The remainder of the Navy's budgetary financial accounting reports are not as comparable to the private sector.

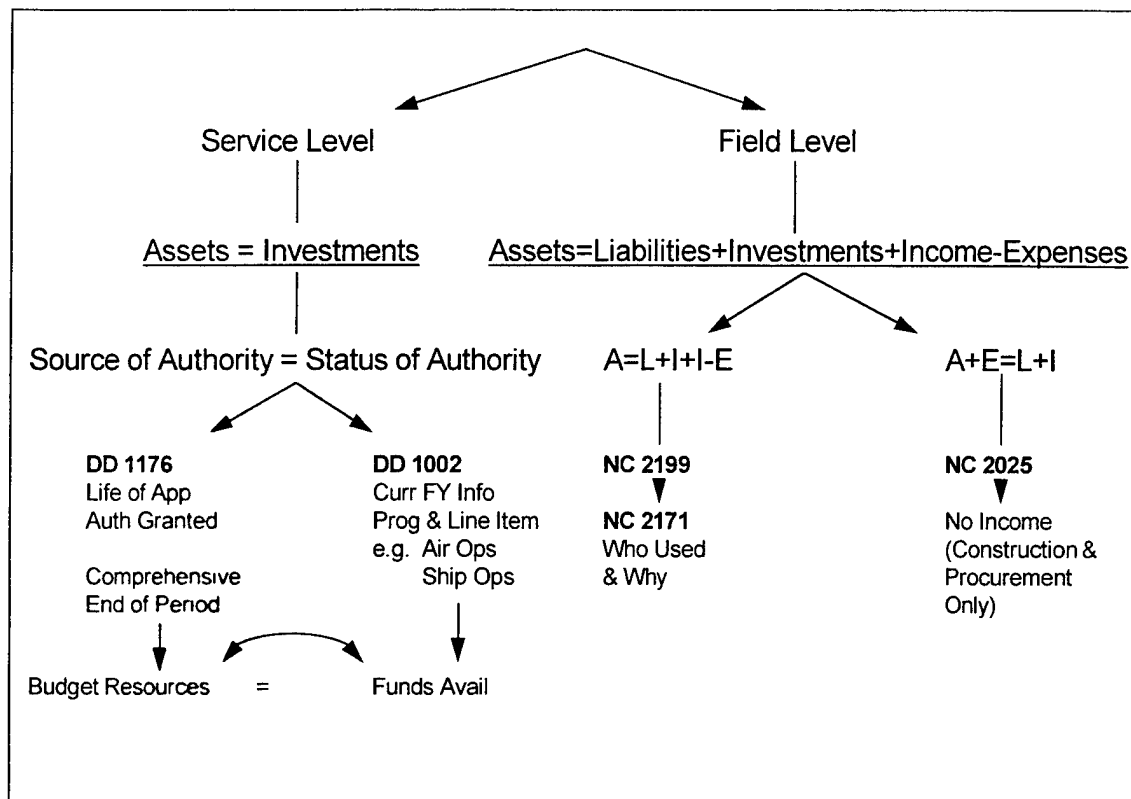


Figure 3.10. Navy Accounting

E. SUMMARY

This chapter elaborated on Chapter II by further discussing financial reporting in the Navy; specifically, the primary budgetary accounting reports utilized in the Navy. Initially, some elementary accounting concepts used in the private sector were discussed and compared to budgetary financial reporting in the Navy. After the concepts were discussed, the actual reports generated in the Navy, how they are generated, and who uses them were discussed.

The five primary reports utilized in budgetary financial reporting in the Navy are:

- ◆ Trial Balance Report (NC 2199)
- ◆ Expense Element Report (NC 2171)
- ◆ Status of Funds Authorized Report (NC 2025)
- ◆ Report on Budget Execution (DD 1176)
- ◆ Appropriation Status Report (DD 1002)

The NC 2199, NC 2171, and NC 2025 are utilized at the field level, while the DD 1176 and DD 1002 are used at the service level.

IV. FINANCIAL ACCOUNTING SYSTEMS IN THE NAVY

A. INTRODUCTION

This chapter will discuss the accounting systems utilized in the Navy; specifically, the systems that are currently in place to support financial reporting and the information technology (IT) systems that have existed in the past for budgetary financial reporting. Chapter II provided the general flow of an appropriation life cycle in the Navy. Chapter III discussed the actual reports generated and used in budgetary financial reporting. This chapter will discuss the systems utilized to collect, organize, aggregate and report financial accounting information to higher authority.

This chapter is divided into four sections. Each section will discuss the accounting systems involved in each of the following:

- ◆ Navy Field Level Accounting (Fleet)
- ◆ Navy Field Level Accounting (Ashore)
- ◆ Financial Accounting for Procurement Appropriations and Major Washington DC Commands
- ◆ Service Level Accounting

These four sections illustrate a majority of the financial transactions that take place in the Navy. Each section will provide a brief description of the flow of accounting information as discussed in Chapter II and the accounting systems involved in the financial reporting of that information.

B. ACCOUNTING SYSTEMS UTILIZED IN NAVY FIELD LEVEL ACCOUNTING (FLEET)

This section of the chapter will discuss and explain the accounting systems most commonly utilized at the fleet level; the best example of a fleet level activity is a ship. Initially, the organizations involved in financial reporting will be discussed, followed by the reporting requirements, and finally, the current accounting system in place.

The organizations involved in fleet level financial reporting include the ship, the operating location (OPLOC) responsible for processing the financial information for the ship, the subclaimant and major claimant for the unit, and the Defense Finance and Accounting Service (DFAS), Cleveland Office.

The reporting requirements for the ship involve transmitting daily transactions to the OPLOC, which will generate three monthly reports. The three reports, as discussed in Chapter III are:

- ◆ Trial Balance Report (NC 2199);
- ◆ Expense Element Report (NC 2171); and
- ◆ Status of Allotment Report (NC 2025).

A copy of these three reports will be distributed to the ship's major claimant, type commander, and the ship itself.

The current prevailing accounting system in place, at the fleet level, is the Standard Accounting and Reporting System-Field Level (STARS-FL). At the service level, the Naval Headquarters Financial System (NHFS) is used.

STARS-FL generates the Trial Balance Report, the Expense Element Report, and, if applicable, the Status of Allotment Report; these reports are utilized by the user and the user's financial chain of command. The NHFS generates the Report on Budget Execution and the Appropriation Status Report; the NHFS will be discussed later in the chapter. It is the responsibility of the user and the major claimant (Funds Administering Office) to ensure that these reports are correct. Figure 4.1 is a simplified example of financial reporting at the fleet level (Gardner, 1996). The Navy is currently progressing from a multiple accounting system network to a primarily one field-level accounting system environment. The primary accounting system is STARS-FL.

Some of the accounting systems that have existed in past fleet level reporting, along with a descriptive exhibit, can be found in Appendix C.

C. ACCOUNTING SYSTEMS UTILIZED IN NAVY FIELD LEVEL ACCOUNTING (ASHORE)

This section of the chapter will discuss Navy field level accounting for shore activities. The reporting system for shore activities is very similar to fleet unit reporting; essentially the same process and flow. The only difference is that shore level accounting activities report directly to a major claimant. This section will discuss the organizations involved in shore financial accounting, the current accounting system in use, and the accounting systems utilized in the past.

The organizations involved in shore accounting include the shore activity, the OPLOC, the major claimant, and DFAS Cleveland. The shore activity will

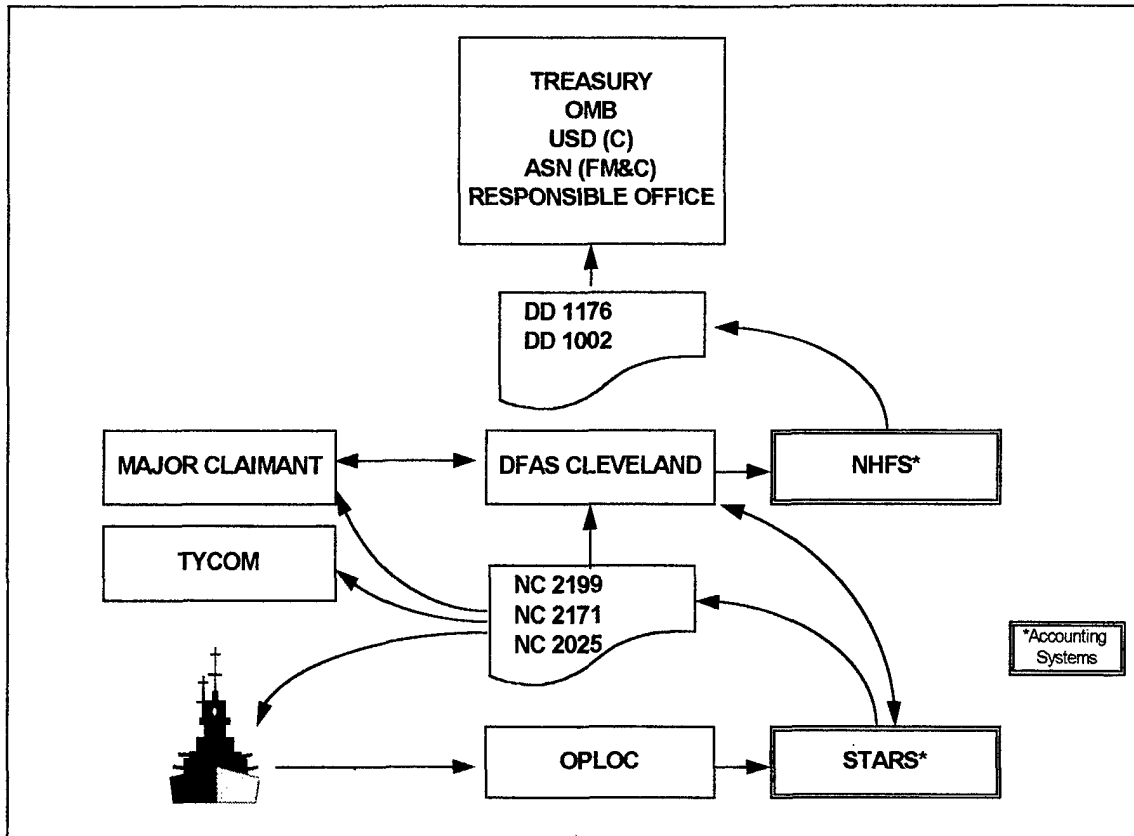


Figure 4.1. Fleet Level Financial Reporting

provide financial information to the OPLOC; via STARS. STARS will generate monthly accounting reports for the activity and the major claimant. A major claimant can be either a systems command (SYSCMD), such as Naval Air Systems Command, Naval Sea Systems Command, or Naval Supply Systems Command; or a non-systems command such as Commander in Chief, Pacific Fleet (CINCPAC Fleet). The major claimant will ensure that the appropriate information is provided to DFAS Cleveland for further reporting to higher authority. Figure 4.2 is an example of the Navy shore financial accounting system (Gardner, 1996). The shore activities have the same

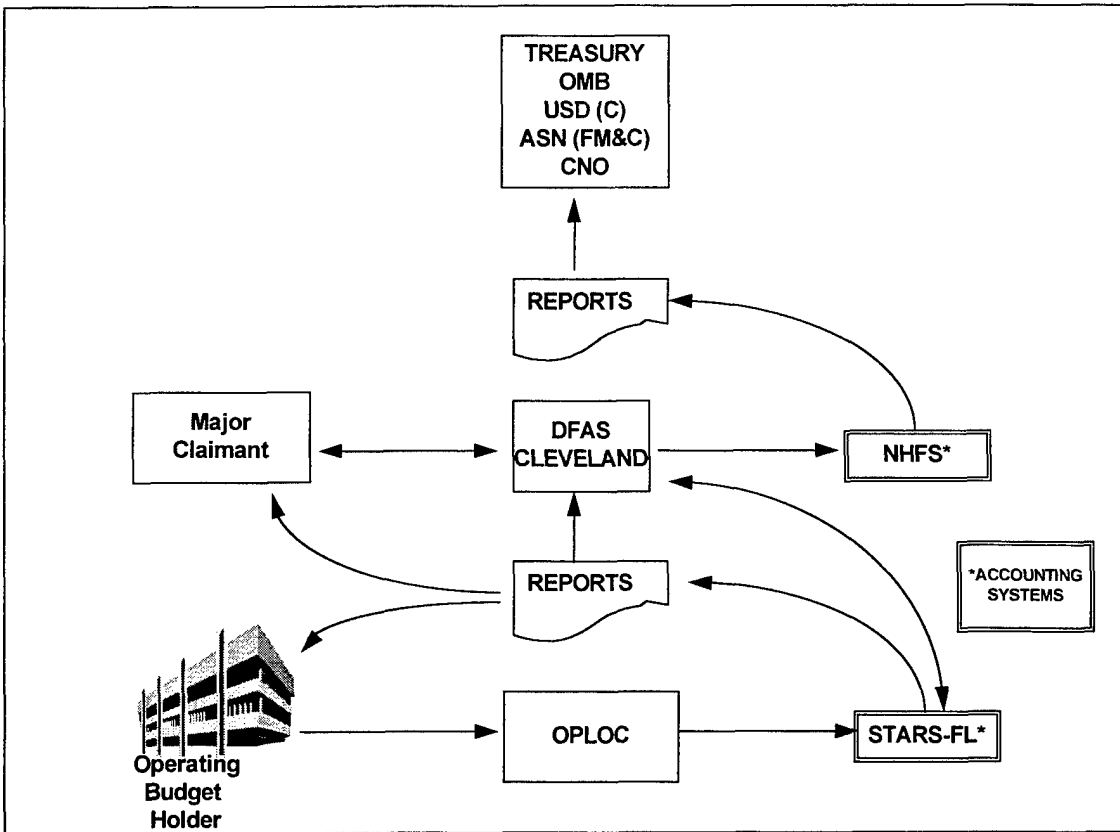


Figure 4.2. Shore Financial Reporting

responsibility for financial reporting as the fleet units. The shore activities will report daily transactions via STARS to the OPLOC. The OPLOC will, in turn and on a monthly basis, provide the Trial Balance Report, the Expense Element Report, and the Allotment Status Report to the shore activity and the shore activity's fund distributor. All three reports were discussed in Chapter III.

Some of the accounting systems that have existed in past shore accounting along with a descriptive exhibit, can be found in Appendix C; specifically, Figure 2 in Appendix C supports the contention that Navy's accounting systems are exceedingly complex.

D. ACCOUNTING SYSTEMS UTILIZED IN PROCUREMENT

APPROPRIATIONS AND MAJOR WASHINGTON DC COMMANDS

Accounting systems at the fleet and shore level have been described and are similar. This section will analyze and discuss financial accounting and reporting for procurement appropriations and major Washington DC commands, where a majority of the procurement decisions are made. The following list is an example of the types of major commands currently found in Washington, DC:

- ◆ NAVAL SEA SYSTEMS COMMAND
- ◆ NAVAL AIR SYSTEMS COMMAND
- ◆ SPACE AND NAVAL WARFARE SYSTEMS COMMAND
- ◆ NAVAL SUPPLY SYSTEMS COMMAND

The core or backbone of the financial reporting in procurement appropriations and major Washington DC commands is analogous to fleet and shore accounting; but the financial reporting in procurement and DC command systems have the additional consideration of procurement and contracting. In this section of the chapter, the organizations involved in financial reporting will first be summarized, followed by their responsibility for financial reporting. Additionally, their current, along with former, financial reporting systems will also be discussed.

The primary organizations involved in procurement and Washington DC accounting include the procurement/major claimant concerned (e.g., in the case of Shipbuilding and Conversion, Navy appropriated funds, Naval Sea Systems

Command); designated OPLOC; possibly a contractor (e.g., the shipbuilding organization); Chief of Naval Operations (CNO); DFAS Denver; and DFAS Cleveland.

A field activity transmits information to their designated OPLOC for processing. A contractor such as a shipbuilding company may also be working with the OPLOC; for billing purposes. The major claimant, CNO, and DFAS Cleveland will receive and be involved in the procurement financial reporting and processing. The financial reporting time line for these organizations is very much like the fleet and shore activities; monthly generated reports from the OPLOCs that are processed and provided to higher authority; up to the ASN (FM&C). However, there is an additional requirement; contract payments will involve DFAS Colorado. DFAS Colorado utilizes the Mechanization of Contract Administration System (MOCAS) to make contract payments; MOCAS is one of the primary accounting systems that organizations, involved with contracts, use for financial reporting. Additionally, two other systems currently involved with the financial process are the Financial Reporting System (FRS) and the Centralized Expenditure Reporting Processing System (CERPS). Information is processed through both of these systems prior to its entry into STARS. Figure 4.3 is an example of procurement and major Washington DC command financial reporting (Gardner, 1996).

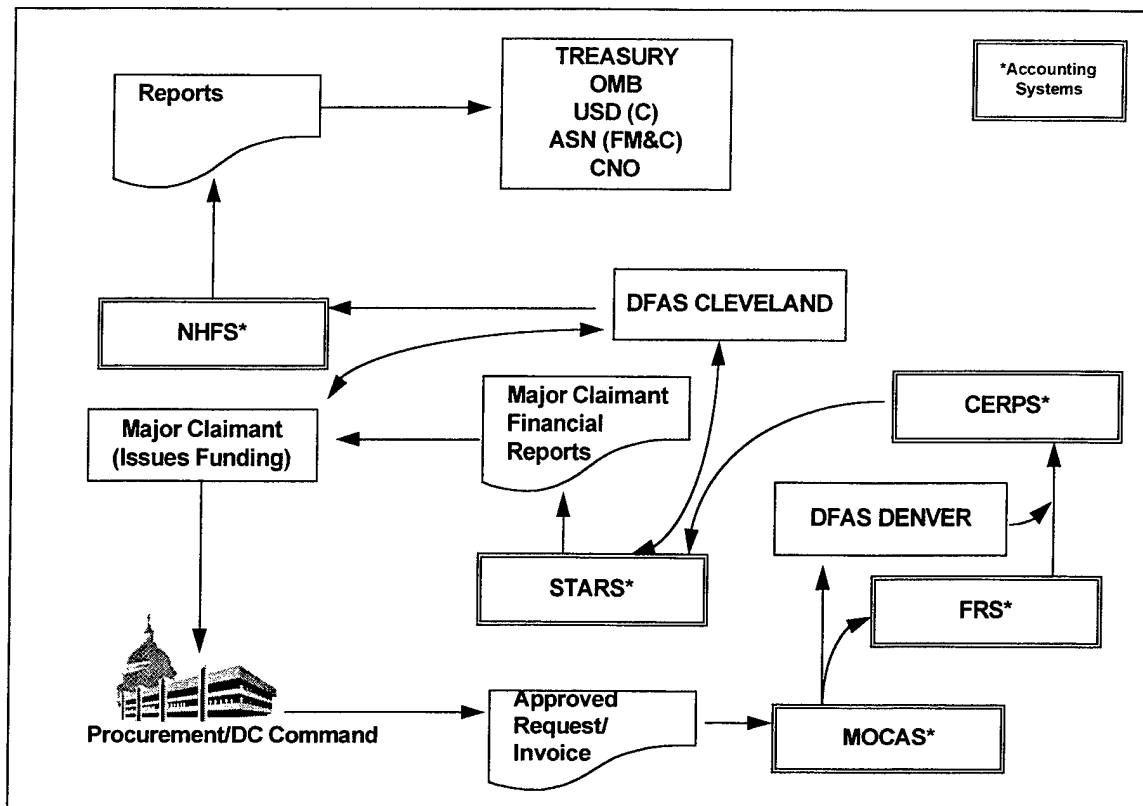


Figure 4.3. Procurement & Major Washington DC Cmd Financial Reporting

Some of the accounting systems that have existed in past procurement and major Washington DC commands accounting, along with a descriptive exhibit, can be found in Appendix C .

E. SERVICE LEVEL FINANCIAL REPORTING

This section of the chapter will discuss the accounting systems used at the service level. The primary accounting system used to report financial information to higher authority is the Naval Headquarters Financial System (NHFS); STARS is used primarily at the field-level, NHFS is utilized at the service level. The initial part of this section will discuss the organizations

involved in service level financial reporting, followed by their reporting requirements. This section will conclude with a discussion of current and past accounting systems.

The organizations involved at the service level in budgetary financial reporting in the Navy are:

- ◆ Major Claimant
- ◆ DFAS Cleveland
- ◆ Chief of Naval Operations
- ◆ ASN (FM&C)
- ◆ USD (C)
- ◆ OMB
- ◆ Treasury

The major claimant is responsible for ensuring that the financial information submitted via STARS by the field-level activities is correct. DFAS Cleveland pulls information from STARS to generate two monthly reports:

- ◆ Budget Execution Report (DD 1176)
- ◆ Appropriation Status Report (DD 1002)

These two reports are provided monthly to the ASN (FM&C) and USD (C), Quarterly to OMB, and are certified annually for the Treasury.

The accounting system used, in conjunction with STARS is NHFS. NHFS is the main vein into which all reports and accounting systems feed. DFAS Cleveland utilizes NHFS to report financial information to higher authority.

Figure 4.4 illustrates Navy budgetary financial reporting at the service level (ASN (FM&C) and GAO, 1996).

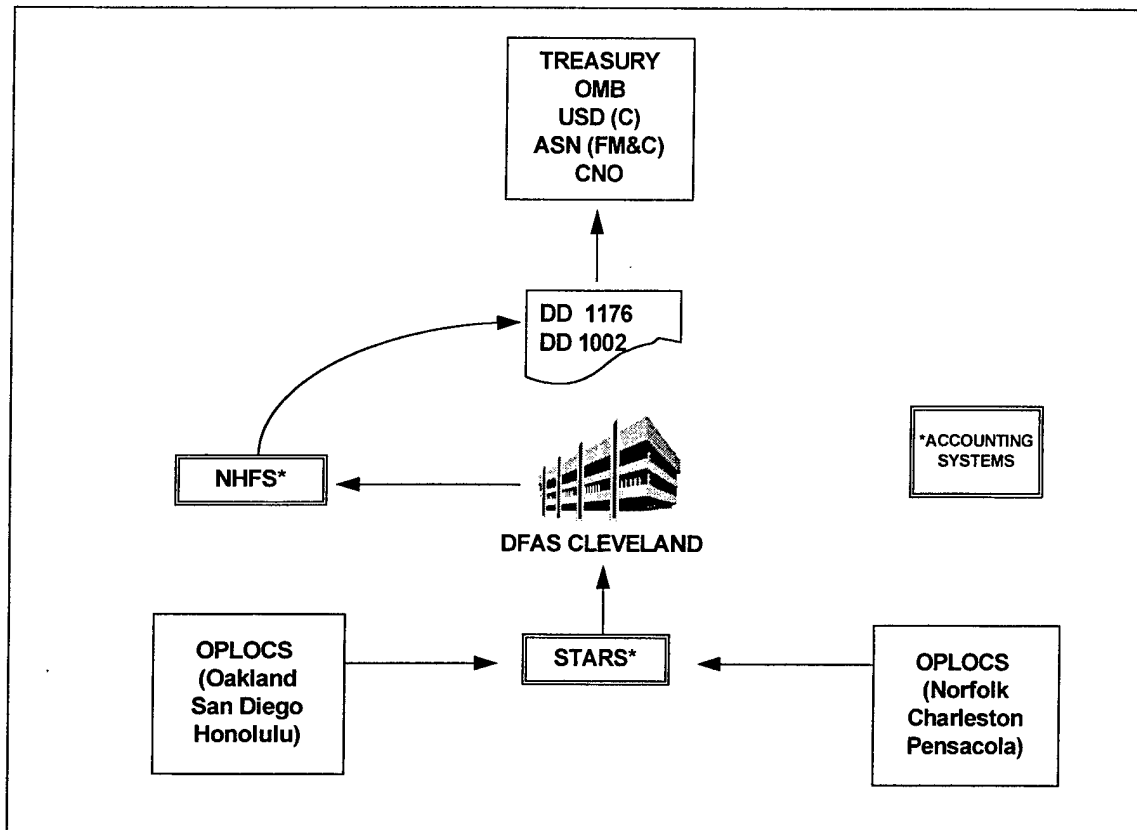


Figure 4.4. Service Level Navy Budgetary Financial Reporting

F. SUMMARY

The objective of this chapter was to provide the reader with a comprehensive picture of the accounting systems utilized in the Navy. This chapter, divided into four sections, discussed the accounting systems involved in each of the following:

- ◆ Navy Field Level Accounting (Fleet)
- ◆ Navy Field Level Accounting (Ashore)

- ◆ Procurement Appropriations and Major Washington DC Commands
- ◆ Service Level Financial Reporting

The chapter concluded with a brief discussion of the Navy-related changes taking place in the Defense Finance and Accounting Service. Appendix D is a list (not all inclusive) of accounting systems familiar to the Navy; both in projected and past systems.

Future Navy financial accounting will be analogous to private sector accounting and reporting. The Navy will work toward two major accounting systems; one uniformly used at the field level and one utilized at the service level. The Navy's financial statements, like the private sector, will be both understandable and auditable.

V. EVALUATION OF NAVY BUDGETARY FINANCIAL REPORTING

A. INTRODUCTION

This chapter will analyze and evaluate current budgetary financial reporting in the Navy. Thus far, this thesis has discussed an appropriation's life cycle, the reports utilized in documenting an appropriation's budget execution, and the accounting systems involved in Navy budgetary financial reporting. This chapter will complete the investigation part of the thesis by evaluating current budgetary reporting in the Navy. The objective of this chapter is to: first, highlight, through analysis, differences between private sector and Navy budgetary financial reporting; secondly, evaluate current Navy budgetary financial reporting; and thirdly, to discuss steps taken, if any, by the Department of the Navy to improve current budgetary financial reporting.

The first part of this chapter will conduct an initial analysis of Navy budgetary financial reporting by contrasting private sector and Navy budgetary accounting; and conclude with a further evaluation and analysis of the Navy's budgetary reporting, with defined criteria. The contrasting and analysis will allow the reader to understand the differences between private sector and Navy budgetary reporting. One of the primary issues, that will come to the forefront in this analysis, will be the time period to which the reports apply, and its affect on Navy budgetary reporting.

B. CONTRASTING NAVY BUDGETARY REPORTING AND PRIVATE SECTOR FINANCIAL REPORTING

This section of the chapter will discuss and compare private sector financial reporting to Navy budgetary financial reporting, with the objective of clarifying Navy budgetary financial reporting. Fundamental differences on issues such as the users, the objectives of the reports, the accounting basis and the accounting models exist and warrant a discussion. This section of the chapter is broken down into the following five subsections:

- ◆ users and user needs of financial reports;
- ◆ objectives of financial reports;
- ◆ description of the entity;
- ◆ bases of accounting; and
- ◆ private sector and Navy budgetary accounting models.

Each subsection addresses both the private sector and Navy budgetary financial reporting. The objective is to clearly define the major differences between the private sector and Navy budgetary accounting.

1. Users and User Needs of Financial Reports

This subsection will illustrate and present for the reader, the differences in the users/user needs of the private sector and Navy budgetary accounting. Both the private sector and the Navy have primary and secondary financial reporting users. In both circumstances, the primary users are individuals external to the

entity, while the secondary users are internal to the entity; each has its unique use and need.

a. *Primary Users*

The external users in the private sector are primarily investors and creditors. The information on the reports provides a financial position and exhibits the results of operations. Investors use the reports for investment decisions, while creditors use the reports for lending decisions.

The Navy's primary users consist of two major groups within their financial chain of command; superiors at the field and service levels. The budgetary reports provide information on the execution status of funds allocated to lower level organizations. At both levels, the users are concerned with proper budget execution and not exceeding budget authority; consequently, they monitor execution, along with issues such as reprogramming and reallocation of funds.

b. *Secondary Users*

In contrast to the primary users, the secondary users in both the private sector and the Navy are individuals internal to the organization. Private sector management, through the use of financial reports, can obtain results of current and past operations. Additionally, internal management uses the reports in resource allocation decisions.

The Navy's secondary users are internal management, too. Each organization uses their financial reports to monitor the status of budget

execution. The management governs budget execution to ensure that spending patterns are consistent with plans, and to ensure budget authority is not exceeded.

2. Objectives of Financial Reports

Financial reporting practice in the private sector serves objectives as described by the Financial Accounting Standards Board (FASB). The Navy also has its own objectives in financial reporting. This subsection will address some of the issues concerning the objectives of financial reports, for both the private sector and the Navy.

According to the FASB's Statement of Accounting Concepts No. 1, "*Objectives of Financial Reporting by Business Enterprises*," the objective of private sector financial reporting is to provide (Hawkins, 1986):

- ◆ Information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions. The information should be comprehensible to those who have a reasonable understanding of business and economic activities and are willing to study the information with reasonable diligence.
- ◆ Information to help present and potential investors and creditors and other users in assessing the amounts, timing, and uncertainty of prospective cash receipts from dividends or interest and the proceeds from the sale, redemption, or maturity of securities or loans.
- ◆ Information about the economic resources of an enterprise, the claims to those resources (obligations of the enterprise to transfer resources to other entities and owner's equity), and the effects of transactions, events, and circumstances that change resources and claims to those resources.

- ◆ Information about how an enterprise obtains and spends cash, about its borrowings and repayment of borrowings, about its capital transactions (including cash dividends and other distributions of enterprise resources to owners), and about other factors that may affect an enterprises's liquidity or solvency.
- ◆ Information about how management of an enterprise has discharged its stewardship responsibility to owners (stockholders) for the use of enterprise resources entrusted to management.
- ◆ Explanations and interpretations to help users understand financial information provided.

In essence, the objectives are to provide information content related to:

- ◆ Making investment and credit decisions.
- ◆ Assessing prospective cash flows.
- ◆ Resources, claims against resources and changes in those resources.
- ◆ Cash flows.
- ◆ Stewardship of resources.
- ◆ Any particularly difficult or illogical aspect of the reports.

The intent of the objectives, in the private sector, is to serve a broad range of users, who have varying information needs; consequently, they are "general purpose" reports. Also, the private sector objectives were established to ensure that useful information is available for assessing future outcomes; along with being able to make current resource allocation decisions. Thus, the private sector financial reporting objectives are "forward looking."

The Navy has established objectives for budgetary financial reporting that are similar to the private sector. The objectives are to provide information content related to:

- ◆ Source of budget funds (appropriated vs reimbursable).
- ◆ Execution status of budget authority (obligated, expended, and disbursed).
- ◆ Compliance with legal restrictions on spending of budget authority (i.e., with respect to amounts, purpose, and time period).
- ◆ Reconciliation of different activities (authorizing, obligating, expending and disbursing).

Unlike the private sector, the intent of the Navy's objectives are to assure that a specific set of users, with a common need, are serviced. Additionally, the Navy's objectives emphasize providing information useful enough for assessing past stewardship of resources allocated. Thus, the information is "backward looking."

3. Description of the Entity

The entities involved in private sector and Navy budgetary financial reporting are distinct. The private sector financial reports typically concern a "whole" organization, while the Navy's budgetary financial reports pertain to a "specific" fund supporting a larger organization. This subsection will examine the description of both the private sector and Navy budgetary entities.

The "entity" in private sector financial reporting is typically the whole organization concerned with continuing operations. With that direction, the entity

has an indefinite, continuing existence; with reports encompassing all resources and claims of the organization.

The "entity" in the Navy budgetary arena is typically a specific appropriation, which may be a subset of the resources available to the larger, whole organization. Because of the nature of a specified fund and the budget authority associated with it, the authority to obligate is limited or bounded in four ways:

- ◆ the period in which budgetary authority is authorized;
- ◆ the amount of budgetary authority;
- ◆ the purpose to which the budgetary resources can be applied; and
- ◆ the time period within which budgetary resources can be used.

Because of the boundaries placed on specified funds being reported in Navy budgetary accounting, the reports may encompass only a portion of the total resources and claims of an organization; in contrast to the private sector reports which report all resources and claims of the organization. Consequently, the entity in the Navy has an explicit life; discrete, limited and bounded.

4. Basis of Accounting

This subsection will discuss the bases of accounting used in the private sector and in Navy budgetary accounting. Prior to reviewing private sector and Navy budgetary bases of accounting, background information will be provided to help differentiate the two.

a. Basis of Accounting Background

Accounting systems are often characterized in terms of the basis on which operations are tracked and “performance” is measured. The basis of accounting for an organization determines what events are recorded and reflected in the accounting system, and, perhaps more importantly, which events are deemed to be most critical in measuring the results of operations. Two common basis of accounting are cash and accrual; which are briefly defined below.

- ◆ Cash Basis: Tracks operations by reporting the inflows and outflows of cash.
- ◆ Accrual Basis: Tracks operations by reporting inflows and outflows of resources.

Consider a typical series of events involving an obligation, expenditure, disbursement and use of goods or services:

- ◆ Obligation: An order is placed for a good or service.
- ◆ Expenditure: The good or service ordered is received.
- ◆ Disbursement: The good or service is paid for with cash.
- ◆ Use: A benefit from the good or service is received.

Accounting systems can differ in terms of which of these events are incorporated into and reported by the system. Additionally, accounting systems may select different “critical” events to focus on when measuring the results of operations, and hence have a different basis of accounting.

The phrase "critical event" is used here in an accounting sense meaning the point at which resources are treated, for accounting purposes, as being consumed by an entity and hence expended. In a cash basis of accounting, disbursement is considered the critical event. As a consequence, in a cash basis system, resources are considered to be used up when the disbursement occurs. In an accrual basis of accounting, use is considered the critical event and as a consequence, resources are considered to be consumed when the organizations received benefits from using the resources.

b. Private Sector and Navy Budgetary Bases of Accounting

Private sector accounting tracks and reports on expenditures, disbursements and use of goods or services; but ignores obligations. Conversely, Navy budgetary accounting tracks and reports on obligations, expenditures and disbursement; but ignores the use of goods and services. Additionally, they differ as to which event is considered the "most critical" and, thus, differ as to which point in time they consider resources to be consumed.

The private sector considers the "use" of a good or service as the critical event; the Navy considers "expenditure" as the critical event. Therefore, the point at which consumption of resources is recognized differs between the private sector and the Navy. The private sector shows consumption when an organization receives benefits from the use of goods or services. Budgetary Navy accounting shows consumption of a good or service when it is received.

The determination of both the time of resource consumption and the critical event in the private sector differs from the Navy. The private sector acknowledges and reports that a good or service may have future benefits (and consequently is an asset). To track the possible future benefit, the private sector recognizes and accounts for their long-term assets (a good or service that may have future benefit).

Conversely, Navy budgetary accounting does not recognize the potential that a good or service may have future benefits; it expends a good or service upon receipt. Therefore, only liquid resources such as unexpended budget funds are considered an asset. When funds are used to acquire goods or services, assets are considered to be consumed. Because no future assets are tracked or acknowledged, Navy budgetary accounting does not report on the long-run benefits gained from a good or service.

The private sector and Navy budgetary financial reports both follow the accrual basis of accounting. However, the private sector employs a full accrual basis where the Navy follows a limited accrual basis. The private sector considers the future benefits in financial reporting; the Navy is only concerned about the short-term life of an allocation and does not consider future benefits. Figure 5.1 exhibits the difference between private sector and Navy budgetary basis of accounting.

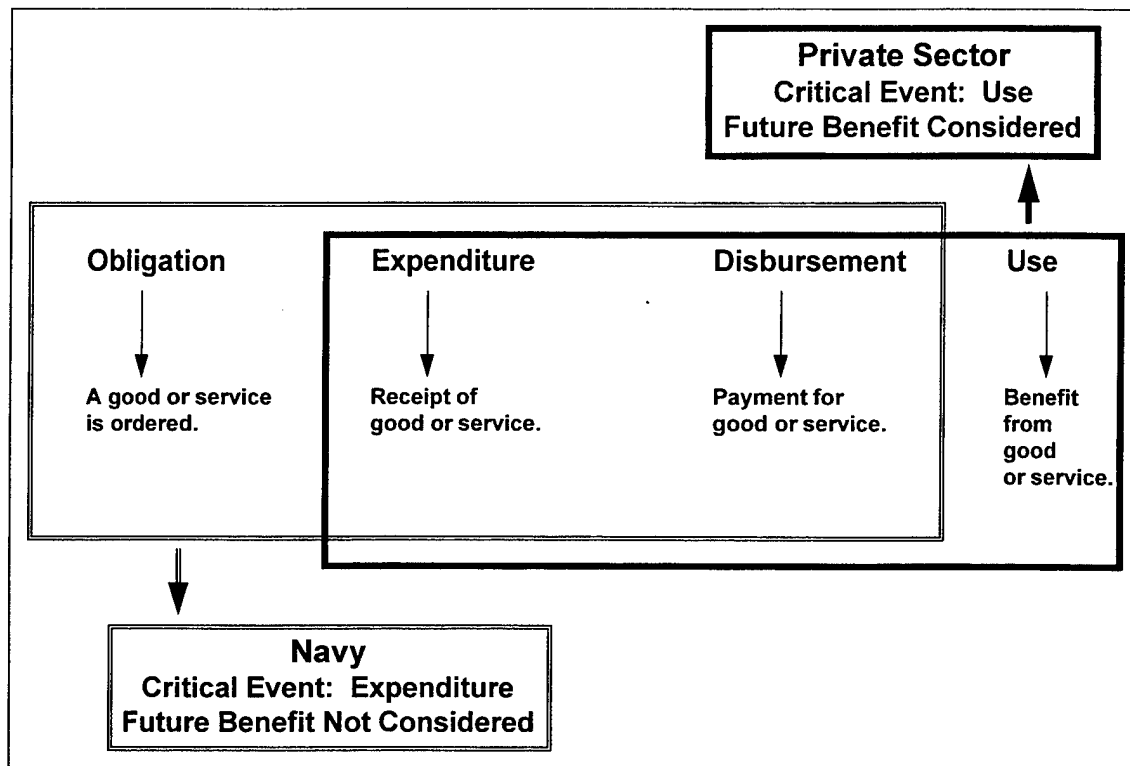


Figure 5.1. Private Sector and Navy Budgetary Bases of Accounting

5. Private Sector and Navy Budgetary Accounting Models

This subsection will show the similarities and differences between private sector and Navy budgetary accounting models. A major factor in the distinction between the two is the time period covered in the reports; which plays a vital role in their different approaches. At the highest level of aggregation, the private sector accounting model and Navy budgetary accounting model are very similar. However, a deeper look reveals their differences.

Consider first the private sector model:

$$\text{Assets} = \text{Liabilities} + \text{Owners Equity}$$

Note that owners equity consists of two components, paid in capital, representing the resources invested by the owners, and retained earnings, representing the undistributed earnings of an organization. Additionally note that earnings is simply the net result of revenues minus expenses. Acknowledging these components, the private sector accounting model can be rewritten as:

$$\text{Assets} = \text{Liabilities} + \text{Paid-in Capital} + \text{Revenue} - \text{Expenses}$$

Expressed this way, the private sector accounting model and the Navy budgetary model can be seen to be essentially the same, except for terminology. The Navy model is:

$$\text{Assets} = \text{Liabilities} + \text{Investments} + \text{Income} - \text{Expenses}$$

In the Navy model, "Investments" replaces "Paid-in Capital," but both represent a similar concept (resources invested in the entity, in the Navy's case, through the budget process). And "Income" replaces "Revenues," but again both represent a similar concept (resources earned by the entity from providing services to other entities). In short, in spite of wide differences in the situations in which they are used, the basic elements of the private sector and Navy budgetary reporting models are the same.

When outlined in more detail, however, the two models exhibit numerous differences: the specific kinds of assets, liabilities, and equity items differ. These differences are due to two principle reasons, both noted previously. First, the objectives served by the financial reporting models differ: the private sector model seeks to inform investors of the value of their claim; the Navy model seeks

to inform superiors of the status of their funds allocated. Second, the models differ with respect to the point at which resources are considered consumed: the private sector model recognizes future benefits in the form of long-term assets; the Navy model ceases to recognize benefits after expenditure, resulting in a short term focus and the lack of long term assets. The following sections comment on these differences in more detail.

a. *Assets*

Assets in the private sector consists of both current and non-current assets. Current assets can be further broken down into cash, receivables and inventory. Non-current assets typically include various property, plant and equipment items.

In contrast, Navy budgetary accounting reports only current-type assets, consisting of allocated funds, reimbursable orders and receivables (from reimbursables). Note that all three represent funds in hand or funds expected to be received shortly. Navy budgetary reports do not include inventories or plant or equipment items. This follows from the convention that resources are consumed when funds are expended. Thus "assets" such as the inventories or equipment purchased with the expended funds are not acknowledged.

b. *Liabilities*

Private sector liabilities consist of both current liabilities, such as accounts payable, and long term liabilities, such as bonds or long term notes payable. The current liabilities, like accounts payable, arise during the brief lag

in time between when a good or service is acquired by an entity and when funds are paid to satisfy the obligation. Longer term liabilities on the other hand arise as a consequence of a private sector organization financing itself by directly raising funds through borrowing.

The Navy budgetary model includes only current liabilities, limited to accounts payable. Like in the private sector, accounts payable arise due to time lags between receipt and payment for goods and services. Unlike private sector entities, Navy appropriated fund entities do not finance themselves through debt. Hence such long term liabilities such as bonds and notes are not relevant to their operations.

c. Paid-in Capital/Investments

Despite the different terminology, the paid-in capital section of the private sector model and the investment section of the Navy budgetary model both represent the resources contributed into the entity by the "owners." In the private sector model, paid-in capital typically consists of common stock and preferred stock, the intent being to indicate how much capital was paid in from different classes of stockholders. Thus the components communicate the source of the capital. In contrast, investments in the Navy budgetary model are further broken down into unobligated authority, obligations and expended authority, the intent being to indicate the amount of budget authority at each stage of execution. Thus the components communicate the status of authority.

d. *Revenue/Income and Expenses*

Both the private sector and Navy budgetary models communicate the amount of resources that the entity has earned from providing goods or services; "revenue" in the private sector, "income" in the Navy model. Both communicate the amount of resources that the entity has used up in creating its goods or services, "expenses" in both models. However, the relationship between these two elements differs in the private sector and the Navy budgetary models. In the private sector, revenue represents the resources earned by the entity from providing all of its goods or services and expenses represent the cost of creating all of those goods and services. The intent of a commercial entity is to make a profit and the intent of the commercial accounting model is to net revenues against expenses to measure that profit (net income). A commercial entity has been successful to the extent that its revenues exceed its expenses. In the Navy budgetary model, income represents and measures only those resources (funds) generated from providing reimbursable goods or services. The value of goods and services created with appropriated funds is excluded. But expenses include and measure the cost of creating all goods and services, both reimbursable and appropriated fund. There is no intent that income and expenses should be netted together to measure profit.

6. Private Sector and Navy Budgetary Financial Reporting

Summary

The differences in private sector and Navy budgetary accounting include the uses/users needs, objectives of financial reporting, descriptions of the entity, bases of accounting and their accounting models. Figure 5.2 exhibits the similarities and differences of private sector and Navy budgetary use/user needs, objectives, entity description and bases of accounting.

	<u>Private Sector</u>	<u>Navy</u>
<u>User/ User Needs</u>	-Primary external user. -Secondary internal user. -Decision making: Investment/Lending/ Resource Allocation	-Primary external user. -Secondary internal user. -Monitor budget execution: Reprogramming/Reallocation/ Limitation Spending patterns, budget limitation.
<u>Objective</u>	-Provide long-term information Financial Operations Broad range of users.	-Provide short-term information Budget Execution/ Limitation Specific users.
<u>Entity</u>	-Indefinite Life Future Operations	-Specified Life of Funds Determined Time Period
<u>Acct Basis</u>	-Full Accrual Future Benefits	-Limited Accrual Future benefits not considered.

Figure 5.2. Private Sector Vs Navy Budgetary Financial Accounting

Figure 5.3 provides a detailed view of the differences between the private sector and Navy budgetary accounting models.

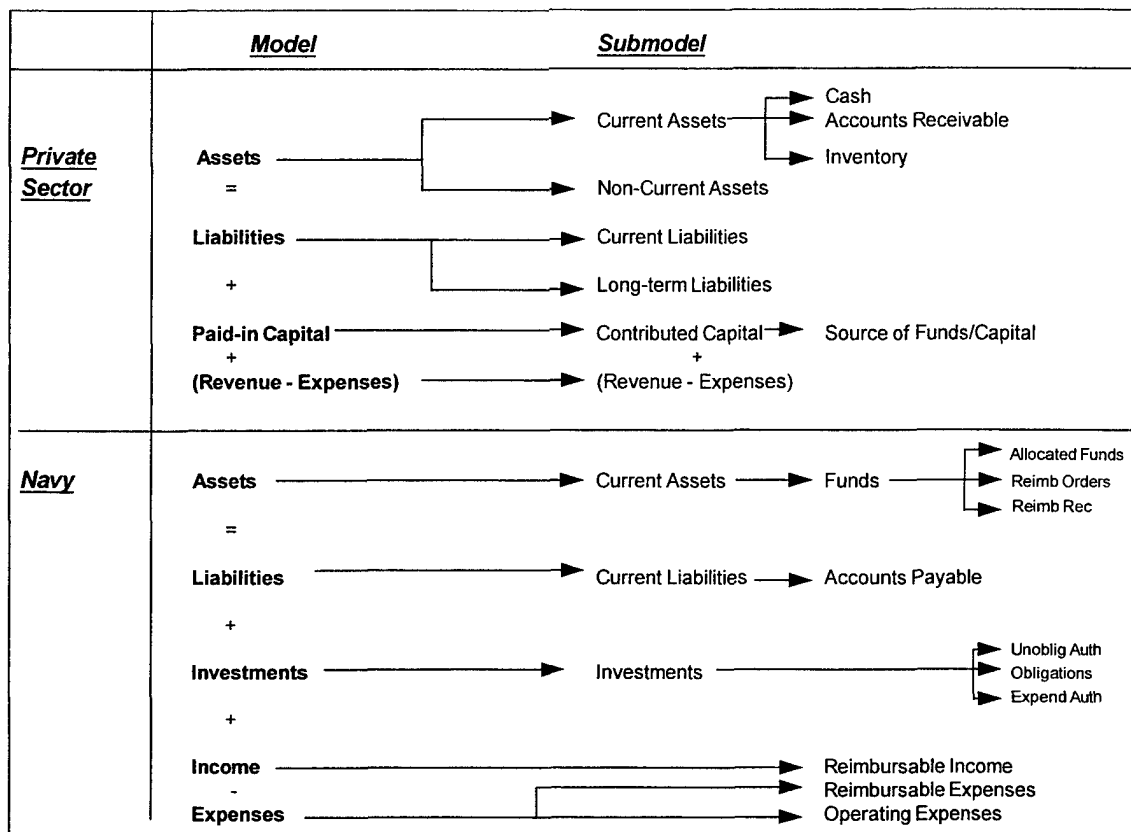


Figure 5.3. Private Sector Vs Navy Budgetary Financial Accounting

C. EVALUATION AND ANALYSIS OF CURRENT BUDGETARY FINANCIAL REPORTING IN THE NAVY

This section of the chapter evaluates current budgetary financial reporting in the Navy. The previous section highlighted the differences between private sector and Navy budgetary financial reporting. The understanding of the differences will serve the reader in better understanding the following analysis of Navy budgetary reporting. The criteria to be used in analyzing the Navy's budgetary financial reporting will be similar to that of private sector reports; but focused toward Navy budgetary accounting.

FASB's objectives for private sector financial reporting were discussed earlier in the chapter. A review of those objectives expresses the basic idea that private sector financial reports should provide information that:

1. is understandable enough to an informed reader to assist in matters such as resource allocation decision making;
2. assists in assessing cash receipts to owners and creditors;
3. reports on economic resources (assets) and claims;
4. reports on inflows and outflows of liquid resources such as cash or funds;
5. reports on stewardship; and
6. provides enough supplemental information to ensure the user understands any potentially difficult information reflected in the reports.

In considering the criteria to be used in assessing Navy budgetary financial reporting, the same ideas can be modified for the government. The criteria to be considered in evaluating Navy budgetary financial reporting will follow the same order as mentioned for private sector analysis. However, the second concept of: "assists in assessing cash receipts to owners and creditors" is not applicable to the government primarily because Navy organizations do not have owners assessing a cash payment they expect to receive. Consequently, the following six questions (which mirror the private sector objectives but are focused on the government) are a list of objectives by which Navy budgetary accounting will be evaluated in this thesis:

1. Do the financial reports provide enough comprehensive information for the user to determine if proper budget execution took place and budget authority was not exceeded? Additionally, are the reports reasonably understandable to a government financial management employee?
2. (Cash Receipts to owners normally analyzed in the private sector, is irrelevant to Navy budgetary financial reporting.)
3. Do the budgetary financial reports provide information on government resources (assets) and claims?
4. Do the reports provide enough information to allow the user or reader of the report to appropriately assess financial transactions? i.e., Can the reader ascertain the source of funds and proper expenditure of allocated funds?
5. Do the reports provide enough information to allow judgement of proper financial management and fiduciary stewardship?
6. Do the reports provide any supplemental information to aid the user in understanding the reports.

Essentially, the criteria used to evaluate Navy budgetary financial reporting will be whether the reports provide adequate information related to:

1. Proper budget execution, budget authority control and comprehensible information.
2. (Cash receipts to owners is irrelevant to Navy budgetary financial reporting.)
3. Resources (assets) and claims to budgetary funds.
4. Budget authority origin and expenditure.
5. Proper fund stewardship.
6. Explanatory information needed to understand the reports.

Additionally, one other question, that will encompass all of the preliminary questions, will be addressed:

7. Does Navy budgetary financial reporting support user needs?

This section will be broken down into seven subsections; to address each of the outlined questions.

1. **Do the financial reports provide enough comprehensive information for the user to determine if proper budget execution took place and budget authority was not exceeded? Are the reports reasonably understandable to a government financial management employee?**

Budget authority and execution can be properly monitored with the current budgetary reports employed in the Navy. At both the field and service levels, the five reports utilized in the Navy sufficiently provide the user with enough information to track proper budget execution for a specific appropriation; each report has a category for either expenses or disbursements. Additionally, to ensure budget authority is not exceeded, a fund balance is also provided to maintain control of the funds.

Although somewhat complex, the five budgetary reports are understandable to a government financial management employee; one who works with the report on a recurring basis. However, parties external to governmental budgetary financial reporting are not likely to understand the reports, without proper training. Without understanding government accounting

terminology, the reports are very cumbersome and appear to provide a tremendous amount of complicated information. Experience or training is required to reasonably understand Navy budgetary reports.

2. Cash receipts to owner.

This aspect is irrelevant to Navy budgetary financial reporting.

3. Do the budgetary financial reports provide information on government resources (assets) and claims?

The current reports do not provide specific information on resources (assets). As noted previously, because resources are considered consumed when funds are expended, the existing budgetary model does not report on inventories, plant, equipment or other assets representing future benefits. However, the intent of budgetary financial reporting in the Navy is not to report on assets and claims; it is to report on proper budget execution. A 1996 GAO audit on compliance with the Chief Financial Officer's (CFO) Act highlighted that: "the Navy's general fund financial reports should be a primary source of key information for effectively assessing (1) the results of its operations, (2) its stewardship over its assets, and (3) its use of budgetary resources" (GAO, 1996). Proper budget execution and budgetary financial reporting make up one-third of all financial reporting in the Navy. Additional findings from the CFO act related to budgetary financial reporting in the Navy will be discussed in the latter part of this chapter.

4. Do the reports provide enough information to allow the user or reader of the report to appropriately assess financial transactions? (Can the reader ascertain the source of funds and proper expenditure of allocated funds?)

Yes; the source of funds is assumed to be from a reporting senior and the current budgetary financial system dictates proper expenditure as “complete obligation” of all budgetary authority.

The assumption that the budget authority is provided from higher authority provides the source of allocated funds; with the exception of activities involved in reimbursables. In that particular case, the actual “source” or activity from which the funds are received can not always be obtained.

Given that a determined amount of funds are provided for each appropriation, the proper expenditure of funds is currently assumed to have occurred as long as the fund balance is down to, but not below, zero by the end of the fiscal year. At the field level, the Expense Element Report (used for expense-type appropriations), which is a sub-report to the Trial Balance Report, can be employed to determine what individual activity spent what funds for a particular service or good. However, the other three Navy budgetary reports do not provide as much detailed information. Consequently, tracking exact expenditure patterns can not be done outside of the Expense Element Report.

5. Do the reports provide enough information to allow judgement of proper financial management and fiduciary stewardship?

Prior to discussing this question, clarification of "stewardship" should be made. Stewardship can be addressed from both a narrow and broad sense. A narrow perspective, such as used in Navy budgetary accounting, defines stewardship as management of "expendable resources." A broad perspective defines stewardship as management of "all" resources; which is not used in Navy budgetary reporting.

If stewardship is defined in the narrow sense and consists of proper management of "expendable resources," the current Navy budgetary reports do provide enough information. However, if stewardship is defined in a broad sense and is defined as management of "all" resources, the current Navy budgetary reports do not provide enough information. It is in the author's opinion that the current Navy budgetary reports are narrow in scope and provide enough information for proper tracking of spending. The broad scope of stewardship is concerned with utilization of "all" assets; which is not the objective of budgetary reporting.

6. Do the reports provide any supplemental information to aid the user in understanding any difficult information found in the contents of the reports.

The current budgetary financial reports do not provide any supplemental information to aid the reader in further understanding the reports. The current

reports only provide a column or row heading, along with an appropriate numerical figure. Footnotes, endnotes, explanations, and items of the same nature are typically not provided in current Navy budgetary reports.

7. Does Navy budgetary financial reporting support user needs?

Considering the scope of the six previous questions, the reports provided at the field level do inherently meet their user's needs, while, in the opinion of the author, the service level reports do not. The field level users are concerned with reporting the status of allotted funds to their fund distributors; consequently, the need at the field level is to only report a budget authority status. Proper budget execution is considered to be successful use of funds. Conversely, the need at the service level is greater because of the users. The reports generated are ultimately provided to Congress; who need more information than an appropriation status. Congress is interested in the effectiveness with which federal agencies are spending appropriated funds. Currently, only the efficiency of budget execution can be obtained from the Navy's budgetary reports; not the effectiveness. Consequently, the executors of the budget, in order to ensure that their performance as reported by the financial reports is adequate, strive to efficiently expend funds.

D. THE CHIEF FINANCIAL OFFICER'S ACT OF 1990

The objective of this section is to discuss how the government's enactment of the CFO act will improve, not only the effectiveness of Navy budgetary financial reporting, but also the effectiveness of all financial reporting

throughout the federal government. A quick review of the evaluation of current Navy budgetary financial reporting provides the following conclusions:

1. Budgetary authority and execution can be monitored.
2. Cash receipts by owners is irrelevant to Navy budgetary financial reporting.
3. Budgetary resource (asset) and claim information can not be extracted from the reports.
4. Source and proper expenditure of funds can be ascertained from the reports.
5. Stewardship, defined as management of "expendable funds," can be monitored.
6. Difficult report content is not fully explained.
7. Although Navy budgetary financial reporting may descriptively support user needs, actions for improvement are warranted.

In essence, current Navy budgetary financial reporting can be improved to provide:

- ◆ information on budgetary resource and claims;
- ◆ ample information to clarify difficult information; and
- ◆ further efficiency in budgetary financial reporting.

As mentioned previously, the ineffectiveness of financial reporting in the federal government has been recognized and appropriate action directed. In 1990, Congress took the first step to make financial reporting in the federal government more effective; by enacting the Chief Financial Officer's Act.

Congress enacted the CFO act on November 20, 1990. The objective of the act was to implement a plan that would produce financial statements that could be both audited and contain enough information to predict future performance. Additionally, the act was to improve general financial management in the Federal Government. Specifically, improvement in four key areas was emphasized (Buckner, 1994):

- ◆ Accountability;
- ◆ Organizational Structure;
- ◆ Management Planning and Performance; and
- ◆ Quantification of Programs, Performance, Liabilities, and Investments.

Additionally, the CFO act requires that each federal agency universally improve its financial management and reporting operations. The CFO act also requires that DOD prepare financial statements for its trust funds, revolving funds, and commercial activities; including those of the Navy (GAO, 1996). In 1994, the CFO act was further expanded when Congress passed the Government Management Reform Act (GMRA). The GMRA required that all CFO act agencies prepare annual financial statements and for those statements to be audited.

The affect of the CFO act on the DOD has provided an opportunity for vast financial management improvement. One of the first actions taken was the appointment of Mr. Sean O'Keefe as the DOD's first CFO. He was followed by

Dr. John J. Hamre in November 1993. Additionally, another move made by the Department of Defense was the consolidation of its accounting and finance operations. The Defense Finance and Accounting Service (DFAS) was established in January 1991, which resulted in the merging of all DOD accounting operations under one Chief Financial Officer. Three of the primary objectives of DFAS include: service improvement, consolidation, and cost reduction. The success or failure of the CFO act is still being measured. However, the affects and implications of the CFO act of 1990 will inherently improve the Navy's financial reporting system.

E. SUMMARY

This chapter addressed the analysis of budgetary financial reporting in the Navy. An initial analysis was conducted and revealed the differences between the private sector and Navy budgetary financial reporting. Once the differences were highlighted, an evaluation, derived from private sector reporting objectives but focused toward Navy budgetary financial reporting, was conducted on current budgetary financial reporting. For the most part, the current Navy budgetary financial reporting system supports the needs of its users. However, the federal government sees a need for overall financial reporting improvement, which affects Navy budgetary accounting. The first step in improving financial reporting was the enactment the CFO act; which mandated that each federal agency universally improve its financial management and reporting operations.

VI. SUMMARY AND CONCLUSIONS ON THE STATE OF THE ART OF BUDGETARY FINANCIAL REPORTING IN THE NAVY

A. INTRODUCTION

This chapter provides a summary and conclusion on the state of the art of budgetary financial reporting in the Navy. The first section will address the eleven research questions answered in the thesis. The chapter will conclude with suggestions for areas for further study.

B. RESEARCH QUESTIONS

Primary Question: What is the current state of the art of budgetary financial reporting in the Navy?

An evaluation of the current state of the art of Navy budgetary financial reporting finds the Navy utilizing five budgetary reports, with all Navy activities being supported by six Defense Finance and Accounting Service (DFAS) Operating Locations. The Navy is also streamlining its accounting process, moving toward eliminating most of the numerous accounting systems currently being utilized, to rely on two primary accounting systems; Standard Accounting and Reporting System and Naval Headquarters Financial System.

The current accounting organization in the Navy reflects the changes taking place in the Department of Defense. The Navy financial system is now under the control and responsibility of the DFAS; with the Navy's financial accounting headquarters located in Cleveland, Ohio. Additionally, the DFAS has

established regional accounting offices, known as Operating Locations, to support the Navy, at six sites throughout the United States. Those sites are located in:

- ◆ Norfolk, Virginia;
- ◆ Charleston, South Carolina;
- ◆ Pensacola, Florida;
- ◆ San Diego, California;
- ◆ Oakland, California; and
- ◆ Honolulu, Hawaii.

Current financial reporting involves five primary financial reports; three at the field level and two at the service level. The reports used at the field level are:

- ◆ Trial Balance Report (NC 2199);
- ◆ Expense Element Report (NC 2171); and
- ◆ Fund Status Report (NC 2025).

The trial balance report most closely resembles a private sector report and it provides a status of budgetary authority by utilizing the accounting equation:

$$\text{Assets} = \text{Liabilities} + \text{Investments} + \text{Income} - \text{Expenses}.$$

The Expense Element Report is a further breakdown of the “expense” section of the Trial Balance Report; it provides information on whom spent what funds and what the funds were expended on. Both the Trial Balance Report and the Expense Element Report are utilized for expense, short-term appropriations;

specifically, Operations and Maintenance, Navy; Military Personnel, Navy; and a portion of Research, Development, Test and Evaluation appropriations.

The Fund Status Report, the third of the field level reports, is utilized for providing budget authority status on all other appropriations not covered by the Trial Balance Report. It provides a more aggregate, bottom line status of funds.

The service level reports are:

- ◆ Report on Budget Execution (DD 1176), and
- ◆ Appropriation Status Report (DD 1002).

The Report on Budget Execution is a monthly fiduciary report that provides information for each appropriation by fiscal year. The Appropriation Status Report, also a fiduciary report, provides a more detailed breakdown of an appropriation status, by only reporting current fiscal year information.

Beginning in fiscal year 1997, the Navy will enter a new era of financial accounting; the requirements of the CFO act will begin to be implemented. Financial accounting in the Navy in the future will be more similar to private sector financial accounting.

Subsidiary Question 1: What is budgetary financial reporting? What distinguishes budgetary financial reporting from other forms of financial reporting?

Budgetary financial reporting reports on the management of budget authority execution and detects when budget authority has been exceeded. Budget formulation is initiated by the President and approved by Congress.

Congress appropriates budget authority through the enactment of laws. The purpose of the budgetary financial reporting process is to both track spending and to avoid over obligation of appropriations; which carries legal ramifications.

The accounting system in the federal government must provide two types of information; status of budget authority and accountability of assets. Each federal agency must execute budget authority and hold fiduciary responsibility for assets entrusted. Budgetary financial reporting distinguishes itself from proprietary reporting by tracking and reporting the status of budgetary authority during budget execution; thus, fulfilling one aspect of federal agency responsibility. The other aspect of accounting for assets is fulfilled through the use of proprietary accounting; which entails fiduciary responsibility.

Subsidiary Question 2: What is the current environment and context of budgetary financial reporting?

The Department of the Navy is in a state of change. In 1990 the Chief Financial Officer's Act was enacted; mandating that financial reports throughout the federal government be auditable. In order to meet this requirement, the Navy is streamlining its accounting process in order to become more efficient in financial reporting. The number of accounting systems being utilized has been narrowed down and the goal of the Navy is to have two primary budgetary financial accounting systems for the department. Fiscal year 1996 financial reports will be the first affected by the CFO act.

Additionally, the financial accounting organization in the Department of Defense was reorganized as a result of the CFO act of 1990. The Defense Finance and Accounting Service reorganized all DOD financial entities. The Navy's supporting financial organization was reshuffled and headquartered in Cleveland, Ohio. The reorganization of DFAS was another attempt to help streamline the Navy's financial accounting and reporting system.

Subsidiary Question 3: What conceptual accounting model is being utilized for budgetary reporting?

The underlying model for Navy budgetary financial reporting at the field level is:

$$\text{Assets} = \text{Liabilities} + \text{Investments} + \text{Income} - \text{Expenses};$$

which is similar to the private sector balance sheet equation model:

$$\text{Assets} = \text{Liabilities} + \text{Paid-in Capital} + \text{Revenue} - \text{Expenses}.$$

Additionally, the service level accounting model for Navy budgetary financial reporting is:

$$\text{Budget Authority} = \text{Status of Authority}.$$

Because of the current Navy structure for budget execution reporting, service level reporting only provides budget authority status. Although the accounting models for the private sector and Navy budgetary accounting are similar, they have differences that distinguish them.

The private sector and Navy budgetary accounting have four distinct differences:

1. The type of entity that is reported on: Private sector financial reports are concerned with a whole organization; Navy budgetary financial reports pertain to a specific fund, which supports a larger organization.
2. The set of events recognized in the model: The private sector tracks and reports expenditures, disbursements and use of goods or services; but ignores obligations. Navy budgetary accounting tracks and reports on obligations, expenditures and disbursements; but ignores the use of goods and services.
3. The point in time, the critical event, when goods and services are treated as having been consumed: The private sector recognizes the "use" of a good or service as the point of consumption; the Navy considers "expenditure" the point of consumption.
4. The kinds of assets incorporated in the model and the financial reports: The private sector has both current and non-current assets; Navy budgetary accounting reports only current-type assets.

These differences separate private sector and Navy budgetary accounting.

Subsidiary Question 4: What organizations are involved in Navy budgetary reporting?

The organizations that are consistent throughout the Navy's financial reporting system are the Navy's designated Operating Locations (OPLOCs), DFAS Cleveland, and the ASN (FM&C).

Each installation or fleet unit has a designated OPLOC that processes the activity's financial information and generates three field level reports. The generated reports concern an entity's financial activity; and are distributed to the activity, the activity's subclaimant (if applicable), and the activity's major claimant.

DFAS Cleveland is the designated headquarters office for Navy financial accounting and reporting. DFAS Cleveland will generate the appropriation status reports to be distributed at the service level. DFAS Cleveland has access to all of the OPLOC's accounting information (via STARS).

The Assistant Secretary of the Navy, Financial Management and Comptroller is the service financial manager for the Navy. The ASN (FM&C) is responsible, along with the Chief of Naval Operations, for the overall financial accounting operations and reporting for the Navy. The ASN (FM&C) is also responsible for monitoring and distributing financial accounting information to higher authority.

Subsidiary Question 5: Of the organizations involved, what are their responsibilities for financial reporting?

The OPLOCs and DFAS Cleveland are responsible for reporting budgetary financial information to the ASN (FM&C), and the ASN (FM&C) is responsible for ensuring proper financial information is reported to the Under Secretary of Defense (Comptroller) (USD (C)), the Office of Management and Budget (OMB), the Treasury and Congress. The OPLOCs provide monthly Trial Balance, Expense Element, and Funds Status reports to all parties in the financial chain of command. DFAS Cleveland provides the Report on Budget Execution and Appropriation Status Report monthly to the ASN (FM&C) and the Under Secretary of Defense (Comptroller), quarterly to the Office of Management and Budget (OMB), and is certified annually for the Treasury and Congress.

Subsidiary Question 6: What information systems exist to support financial reporting?

The information technology systems throughout the Navy are not as much a concern as is the accounting system being utilized in financial reporting. A lot of emphasis is being placed on streamlining financial accounting and reporting systems; in particular, STARS. STARS provides a common software that presents the same format for all users of the financial reports.

There are approximately thirty-seven different accounting systems currently in place throughout the Navy. All Navy organizations are migrating towards two primary budgetary financial accounting systems; the Standard Accounting and Reporting System and the Naval Headquarters Financial System.

Although the service level commands have access to the system, STARS is used primarily at the field level. The NHFS is used at the service level for financial reporting to higher authority. STARS and NHFS have interface capability.

Subsidiary Question 7: What financial reports are generated during the budgetary accounting process?

There are five budgetary financial accounting reports generated in the Navy:

- ◆ Trial Balance Report (NC 2199)
- ◆ Expense Element Report (NC 2171)

- ◆ Fund Status Report (NC 2025)
- ◆ Report on Budget Execution (DD 1176)
- ◆ Appropriation Status Report (DD 1002)

The first three financial reports are utilized at the field level, and the remaining two are used at the service level.

At the field level, the Trial Balance Report, the Expense Element Report, and the Fund Status Report track budget execution and budget authority status. The Trial Balance Report is the most usable report in the Navy; of the other two reports utilized, the Expense Element Report is a further breakdown of the “expense” portion of the Trial Balance Report, and the Fund Status Report is a more aggregated status of funds, for appropriations not reported on the Trial Balance Report.

At the service level, the Report on Budget Execution and the Appropriation Status Report primarily track fund status. The Report on Budget Execution provides a current fiscal year status and the Appropriation Status Report provides a status of an appropriation’s fund life.

Subsidiary Question 8: Who uses these reports and what are they used for?

The users of the Navy’s financial accounting reports involve two entities; field level commands and service level commands. The needs of the users at the field level are different than the needs of the users at the service level. The field level activities are concerned with detailed issues such as fund status and

who spent what funds. The service level, on the other hand, is only concerned with proper budget execution and the status of the allotted budget authority. Both use the reports to effectively monitor budget execution and to ensure budget authority is not exceeded.

Subsidiary Question 9: Is the current budgetary financial reporting system in the Navy comparable to private sector practice?

Yes, but not as easily as one would think. The easiest way to compare the two is to parallel the underlying accounting models for both. For the private sector, the model remains the same regardless of the level of the reporting:

$$\text{Assets} = \text{Liabilities} + \text{Owner's Equity}.$$

However, the underlying model for the Navy is different; depending on the level of command.

At the field level, the underlying model used in the Trial Balance Report and the Fund Status Report is much like the private sector:

$$\text{Assets} = \text{Liabilities} + \text{Investments} + \text{Income} - \text{Expenses}.$$

The Expense Element Report is part of the Trial Balance Report; it expands on the "expense" portion of the equation.

The service level reporting model is different; because the need of the user is different. The service level users are concerned with the status of budget execution and the balance of budget authority. Consequently, the underlying model for service level users is:

$$\text{Budget Authority} = \text{Status of Authority}.$$

Subsidiary Question 10: Does the current financial reporting system support user needs?

Considering the conclusions of the research for this thesis, the reports provided at the field level do inherently meet their user's need, while the service level reports do not. The field level users are concerned with reporting the status of allotted funds to their fund distributors; consequently, the need at the field level is to only report a budget authority status. Conversely, the need at the service level is greater because of the users. The reports generated are ultimately provided to Congress; which needs more information than an appropriation status. Currently, only the efficiency of budget execution can be obtained from the Navy's budgetary reports; not the effectiveness. Consequently, the executors of the budget, in order to ensure that their performance as reported by the financial reports is adequate, strive to efficiently expend funds.

C. AREAS OF FURTHER STUDY

1. The Effects of the Chief Financial Officer's Act of 1990 on Budgetary Financial Accounting and Reporting in the Navy.

The requirements mandated by the CFO act of 1990 are currently being implemented. Some time in the future, the Navy, along with the Department of Defense, will need to measure the success of the CFO act. Have the financial reports generated in accordance with the CFO act of 1990 met their mandated

requirements? Are there other ways to improve the budgetary financial reporting system to become more useful and effective?

2. Standard Accounting and Reporting System (STARS)

Implementation in the Navy.

The Defense Finance and Accounting Service goal of implementing STARS throughout the Navy should be completed in 1998. STARS is one of the two primary accounting systems that the Navy wants to utilize in future Navy accounting and reporting. Has the Navy fully implemented STARS? Does STARS support user needs? Is the STARS capable of providing the required reports in accordance with the CFO act of 1990?

3. The Defense Business Operations Fund (DBOF) Financial and Accounting Reporting System.

The DBOF accounting environment most resembles private sector accounting. However, it utilizes numerous accounting systems; one primary accounting system for each business area. There is currently no guidance as to which accounting system should be used in each business area; accounting reports provided to higher authority are compiled and reported through the use of the Navy Industrial Fund Reporting System (NIFRS). What are the current accounting systems being utilized in the DBOF business areas? Do they support user needs? Can there be an universal accounting system throughout the Navy's DBOF business areas? If the DBOF activities were private sector entities, would they still be in business; if not, why not? Would they be

successful? Can the DBOF activities and business areas compete with private sector businesses?

APPENDIX A. BUDGETARY FINANCIAL REPORTING TERMINOLOGY

Budgetary financial reporting has terminology unique to its accounting. This appendix provides a short list of terms that are common to budgetary reporting in the Navy and included in this thesis (PCC, 1996). This list does not include all of the terms common to budgetary financial accounting; only the more recurrent ones found throughout this thesis:

- ◆ **Administering Office:** The office, bureau, or systems command assigned responsibility for budgeting, accounting, reporting, and controlling obligations and assigned expenditures for programs financed under appropriation(s) or subdivisions of an appropriation.
- ◆ **Allocation:** An authorization by a designated official of a component of the DOD making funds available within a prescribed amount to an operating agency for the purpose of making allotments (i.e., the first subdivision of an apportionment).
- ◆ **Allotment:** The authority, expressed in terms of a specific amount of funds, granted by competent authority to commit, obligate and expend funds for a particular purpose.
- ◆ **Apportionment:** A determination made by the Office of Management and Budget which limits the amount of obligations or expenditures which may be incurred during a specified time period.
- ◆ **Budget Authority:** Authority provided by law to enter into obligations which generally result in immediate or future outlays of government funds. The basic forms of

budget authority are: appropriations, contract authority and borrowing authority.

- ◆ **Commitment:** A firm administrative reservation of funds based upon firm procurement directives, orders, requisitions, authorizations to issue travel orders, or requests which authorize the recipient to create obligations without further recourse to the official responsible for certifying the availability of funds. The act of entering into a commitment is usually the first step in the process of spending available funds.
- ◆ **Expenditure:** An accounting term used to describe the satisfaction of an obligation; either through the transfer of funds or the disbursement of funds from the U.S. Treasury.
- ◆ **Obligation:** A duty to make a future payment of money. The duty is incurred as soon as an order is placed, or a contract is awarded for the delivery of goods and the performance of services. An obligation legally encumbers a specified sum of money which will require outlay(s) or expenditures(s) in the future.
- ◆ **Operating Target (OPTAR):** An administrative rather than legal limitation on expenditures provided to an afloat operating unit or department ashore.
- ◆ **Reimbursements:** Amounts received by an activity for the cost of material, work, or services furnished to others, for credit to an appropriation or other fund account.

- ◆ Responsible Office: The office, bureau, or systems command which has been assigned the responsibility for overall management for all programs financed by an appropriation.
- ◆ Undelivered Orders: Any document, meeting the criteria of an obligation, issued for material or services that has not as yet been received by the activity that ordered it.
- ◆ Unmatched Disbursements: Disbursements that cannot be matched to existing obligations.

APPENDIX B. NAVY BUDGETARY FINANCIAL REPORTS

The objective of this appendix is to provide illustrations of the five primary reports utilized in budgetary financial reporting in the Navy. They are:

- ◆ Trial Balance Report (NC 2199)
- ◆ Expense Element Report (NC 2171)
- ◆ Status of Funds Authorized Report (NC 2025)
- ◆ Report on Budget Execution (DD 1176)
- ◆ Appropriation Status Report (DD 1002)

The NC 2199, NC 2171, and NC 2025 are utilized at the field level, while the DD 1176 and DD 1002 are used at the service level.

TRIAL BALANCE REPORT (NAVCOMPT 2199)

The Trial Balance Report is the most useful report utilized within the Navy, and best resembles the balance sheet found in the private sector. It is used to report financial information for expense-type appropriations; primarily the O&M and Military Personnel appropriations. It reports this information utilizing the following equation:

$$\text{Assets} = \text{Liabilities} + \text{Investments} + \text{Income} - \text{Expenses}$$

Along with the date, time and user identification, the Trial Balance Report has five additional headings printed at the top of each page (STARS-FL, 1993):

- ◆ Appropriation (APPN): Specifies type of funds authorized by Congress for incurring obligations and

- disbursements for specific purposes. The first two numbers specify the fiscal year and the last four numbers identify the appropriation fund.
- ◆ Subhead (SBHD): An alpha-numeric number identifying the first level subdivision of an appropriation and used primarily for administration, accounting and control of an appropriation.
 - ◆ Operating Budget/Bureau Control Number (OB/BCN): An alpha-numeric number identifying either the OB holder or the budget project and allotment number (if applicable). In the example provided, the Unit Identification Number (UIC) of the OB holder is used (the UIC of the Naval Postgraduate School).
 - ◆ Suffix (SX): A further breakdown of the OB/BCN used by the Funds Administering Activity. (This field is optional and does not have to be used.)
 - ◆ MTH+1: This heading will either possess a "Y" or "N." If "Y" is chosen, the user wants all information plus current month; thus allowing the user to get an up-to-date report (as of the date of the report). If "N" is chosen, the user will only receive information as of the last closing date (previous month). In the example provided, the user chose to get an up-to-date report. (This field is optional but defaults to "N" unless "Y" is chosen.)

These specifications allow the user to generate a specific Trial Balance Report for the desired appropriation.

EXPENSE ELEMENT REPORT (NAVCOMPT 2171)

The Expense Element Report is a cost accounting report (shows where funds are spent) that provides information on accrued expenses and gross adjusted obligations; it serves as a source/support document for the Trial Balance Report. In the Navy's balance sheet equation, the Expense Element Report expands on the "Expense" portion of the equation. Consequently, one should consider it a subcategory of the Trial Balance Report.

The Expense Element Report is listed by Subactivity Group, Functional/Subfunctional category and Expense Element. The Subactivity Group (SAG) is a code used to reflect the primary breakout of an appropriation's financial data; assigned by the Major Claimant (STARS-FL, 1993). The Functional/Subfunctional (F/SF) categories are each a one position code which together allows the uniform classification of budget resources, regardless of the activity using the codes. A function may be divided into two or more subfunctions; depending upon the complexity of the situation. The Expense Element (EE) code, not related to the appropriation, identifies the type of resource being consumed in the F/SF category (e.g., E is for travel and T is for supplies). The EE code is determined by the spending command in identifying the disbursement of funds. Further information on the SAG, F/SF and EE categories can be found in NAVCOMPT Manual, Volume 2.

Like the Trial Balance Report, the Expense Element Report also has five headings to allow the user to generate a report for a specified appropriation.

The Expense Element Report has four headings identical to the Trial Balance Report:

- ◆ Appropriation (APPN);
- ◆ Subhead (SBHD);
- ◆ Operating Budget/Bureau Control Number (OB/BCN); and
- ◆ Suffix (SX).

Additionally, the Expense Element Report has a unique heading:

- ◆ Chargeable UIC (CHG UIC): In the situation where a command detachment is involved, this heading identifies the Funds Administering Activity. (This heading is optional)

FUND STATUS REPORT (NAVCOMPT 2025)

The Fund Status Report, also known as the Status of Allotment Report is used to report the status of all appropriations not reported on the Trial Balance Report. Like the Trial Balance Report, the Fund Status Report equation is comparable to the private sector balance sheet equation. It is a more aggregated and simplified form when compared to the Trial Balance Report.

The Fund Status Report has three of the same supplemental headings as the Trial Balance Report:

- ◆ Appropriation (APPN);

- ◆ Subhead (SBHD); and
- ◆ MTH+1.

Additionally, two other headings, unique to the report, can be found:

- ◆ Allotment (ALLOT): Identifies, through the use of a UIC, to whom the appropriation funds have been allotted. In the case of the example provided, the UIC of the Naval Postgraduate School is used.
- ◆ Suballotment (SA): Same use as the suffix, a further breakdown of the OB/BCN used by the Funds Administering Activity.

Further information on the Fund Status, Expense Element and Trial Balance Report can be found in the STARS Field Level (STARS-FL) online system users manual.

REPORT ON BUDGET EXECUTION (DD 1176/SF 133)

The Report on Budget Execution (DD 1176), a monthly fiduciary report (provides information for funds held in trust), provides information on appropriation status by fiscal year. Each report has an appropriation symbol (number) and title heading on each page. The objective of the report is to provide the user with an aggregate status of an appropriation, for the life of the appropriation.

In addition to the DD 1176, the SF 133 (also entitled "Report on Budget Execution") is provided (Management Concepts Incorporated, 1996) in this appendix. Chapter I stated that SF 133 would supersede DD 1176 in fiscal year

1997. SF 133, which serves the same purpose as the DD 1176, is essentially the same form as the DD 1176, but adapted to meet CFO reporting requirements.

APPROPRIATION STATUS REPORT (DD 1002)

The Appropriation Status Report, also a fiduciary report, is very similar to the Report on Budget Execution except that it is reported for the current fiscal year only; it provides a more detailed breakdown of an appropriation status. Like the Report on Budget Execution, the Appropriation Status Report provides an appropriation title and symbol on each page. Additionally, the report is enumerated by budget activity, aligned by mission area.

Further information on the Report on Budget Execution and Appropriation Status Report can be found in the Navy Comptroller's Manual or the Department of Defense Financial Management Regulations.

APPN: 961804 SBHD: 11MO OE/BCN: 62271 SX: 0 MTH+1: Y

GLA	TITLE	BRT FWD	CHANGES	NEW BALANCE
1031	ALLOTMENTS/OBS AUTHORIZED	61891000.00	.00	61891000.00
1040	FUNDS COLLECTED AUTO	26147719.75	.00	26147719.75
1041	FUNDS COLL AUTO INTRA A	7665806.90	.00	7665806.90
1042	FUNDS COLL AUTO OTH DEF	17543693.53	.00	17543693.53
1044	FUNDS COLL AUTO NON-FED	938219.32	.00	938219.32
1060	FUNDS DISBURSED	80647940.71-	.00	80647940.71-
1100	ACCOUNTS RECEIVABLE US GO	25785910.48	.00	25785910.48
1110	ACCT RECV AUTO BILLED U	18711848.49	.00	18711848.49
1112	A/R AUTO BILLED OTH D	18691540.18	.00	18691540.18
1117	A/R AUTO BILLED OTH N	20308.31	.00	20308.31
1120	ACCT RECV AUTO UNBILLED	7074061.99	.00	7074061.99
1121	A/R AUTO UNBILLED INT	1268266.15	.00	1268266.15
1122	A/R AUTO UNBILLED OTH	5806090.84	.00	5806090.84
1127	A/R AUTO UNBILLED OTH >	295.00-<	.00 >	295.00-<
1200	ACCOUNTS RECEIVABLE PUBLI	1645604.67	.00	1645604.67
1210	ACCT RECV AUTO BILLED P	1450435.94	.00	1450435.94
1214	A/R AUTO BILLED NON-F	1450435.94	.00	1450435.94
1220	ACCT RECV AUTO UNBILLED	195168.73	.00	195168.73
1224	A/R AUTO UNBILLED NON	195168.73	.00	195168.73
1512	TRAVEL ADVANCES	82329.01	.00	82329.01
1810	REIMBURSABLE ORDERS RCVD	74020293.54	.00	74020293.54
1811	R/O RCVD AUTO INTRA APP	13172971.50	.00	13172971.50
1812	R/O RCVD AUTO OTH DEF A	56534177.51	.00	56534177.51
1814	R/O RCVD AUTO NON-FED S	4288763.93	.00	4288763.93
1817	R/O RCVD AUTO OTH NON D	24380.60	.00	24380.60
1930	UNDISTRIBUTED EXPENSES/CO	74452.74	.00	74452.74
1960	UNMATCHED FUNDS DISBURSED	224189.92	.00	224189.92
TOTAL ASSETS		109223559.40	.00	109223559.40
2000	ACCTS PAYABLE - US GOV AG	553646.43-	.00	553646.43-
2010	ACCTS PAYABLE - US GOV	553646.43-	.00	553646.43-
2100	ACCTS PAYABLE - PUBLIC	23889431.61-	.00	23889431.61-
2140	ACCTS PAY - PUBLIC	23889431.61-	.00	23889431.61-
2220	UNEARNED REVENUES NON-FED >	514358.39 <	.00 >	514358.39 <
TOTAL LIABILITIES		23928719.65-	.00	23928719.65-
3211	UNCOM/UNOBL AUTH - DIRECT	11134855.55-	.00	11134855.55-
3212	UNCOM/UNOBL AUTH - REIMB	19806743.76-	.00	19806743.76-
3230	UNDELIVERED ORD/OUTSTAND	65237.92-	.00	65237.92-
3231	UNDEL ORD/OUTSTAND OBL	57753.30-	.00	57753.30-
3239	UNDEL ORDER DIRECT PGM	7484.62-	.00	7484.62-
3232	UNDEL ORD/OUTOBL REIMB FR	119956.49-	.00	119956.49-
3233	UNDEL ORDER REIMB INTRA	45076.69-	.00	45076.69-
3234	UNDEL OR/OUTOBL RMB OTH	56437.38-	.00	56437.38-
3236	UNDEL ORDER REIMB NONFE	18433.01-	.00	18433.01-
3241	UNDEL OR/OUTOBL RMB NON	9.41-	.00	9.41-
3310	ACCRUED EXPENDITURES - DI	50690906.53-	.00	50690906.53-
3320	ACCRUED EXPENSES - REIMB	54093593.29-	.00	54093593.29-
TOTAL INVESTMENTS		135911293.54-	.00	135911293.54-
4010	INCOME - AUTOMATIC	54093593.29-	.00	54093593.29-

Figure 1. Trial Balance Report (Navcompt 2199)

USER ID: KOP1274
07/25/96 14:10:02

STARS/FL
NAVCOMPT 2199 REPORT

07/25/96

LXR0582
PAGE: 2

APPN: 961804 SBHD: 11MO OB/ECN: 62271 SX: 0 MTH+1: Y

GLA	TITLE	BRT FWD	CHANGES	NEW BALANCE
4011	INCOME - AUTO INTRA APP	8934073.05--	.00	8934073.05--
4012	INCOME - AUTO OTH DEF A	42041324.55--	.00	42041324.55--
4014	INCOME - AUTO NON FED S	3098182.38--	.00	3098182.38--
4017	INCOME - AUTO OTH NON D	20013.31--	.00	20013.31--
TOTAL	INCOME	54093593.29--	.00	54093593.29--
5010	COST WORK FOR OTHERS CURR	54093593.29	.00	54093593.29
5321	GEN EXPENSES - OTHER CURR	47088044.58	.00	47088044.58
5324	GEN EXPENSES - MRP CURREN	3528409.21	.00	3528409.21
TOTAL	EXPENSE	104710047.08	.00	104710047.08
GRAND	TOTAL	.00	.00	.00
0931	UNOB ANL BAL AVL-GP OTH T	14670749.38	.00	14670749.38
0932	UNOB ANNUAL BAL AVAIL FOR >	3535893.83-<	.00 >	3535893.83-<
0949	MRP GROSS ADJ OBLIG	3535893.83	.00	3535893.83
0971	GROSS ADJ OBLIG TRAVEL DI	1138466.42	.00	1138466.42
0972	GROSS ADJ OBLIG TRAV REIM	4439369.19	.00	4439369.19
0976	GROSS ADJ OBL-TRNSP THING	126167.59	.00	126167.59
0977	GROSS ADJ OBL-TRNSP THING	199709.87	.00	199709.87
0998	GROSS ADJ OBLIG-OBLIG AUT	50756144.45	.00	50756144.45
0999	GROSS ADJ OBLIG-AUTO REIM	54213549.78	.00	54213549.78
TOTAL	STATISTICAL ACCOUNTS	125544156.68	.00	125544156.68
*** FRINGE ***				
0512	FRINGE BENEFITS PAYABLE	285845.21	.00	285845.21
TOTAL	FRINGE ACCOUNTS	285845.21	.00	285845.21

* * * E N D O F R E P O R T * * *

Figure 1. Trial Balance Report (Navcompt 2199) (continued)

APPN: 961804 SEHD: 11MO OB/BCN: 62271 SX: 0 CHG UIC: 62271
SAG: MTH+1: Y

			EXPENSES		GROSS ADJUSTED OBLIGATIONS	
SAG	F/SF	EE	CURRENT MO	F.Y.T.D.	CURRENT MO	F.Y.T.D.
RK	AZ	Q	.00	.00	.00	.00
SUBTOTAL			.00	.00	.00	.00
RK	A	Q	.00	.00	.00	.00
SUBTOTAL			.00	.00	.00	.00
RK		Q	.00	.00	.00	.00
TOTAL			.00	.00	.00	.00
3J	AZ	Q	.00	.00	.00	.00
SUBTOTAL			.00	.00	.00	.00
3J	A	Q	.00	.00	.00	.00
SUBTOTAL			.00	.00	.00	.00
3J		Q	.00	.00	.00	.00
TOTAL			.00	.00	.00	.00
3K	AB	E	.00	1746.00	.00	1746.00
3K	AB	Q	.00	2095912.45	.00	2095912.45
3K	AB	U	.00	42595.18	.00	42595.18
SUBTOTAL			.00	2140253.63	.00	2140253.63
3K	AZ	D	.00	10645.00-	.00	10645.00-
3K	AZ	E	.00	4279551.76	.00	4281277.87
3K	AZ	L	.00	190669.30	.00	193776.85
3K	AZ	M	.00	26127.18	.00	27108.18
3K	AZ	N	.00	864262.23	.00	864703.03
3K	AZ	P	.00	962887.43	.00	965395.24
3K	AZ	Q	.00	7174923.31	.00	7184335.54
3K	AZ	R	.00	545.07	.00	545.07
3K	AZ	T	.00	1434163.30	.00	1460948.94
3K	AZ	U	.00	16949967.00	.00	16949967.00
3K	AZ	V	.00	663.82	.00	663.82
3K	AZ	W	.00	2852496.14	.00	2876658.75
3K	AZ	Y	.00	269122.06	.00	269122.06
3K	AZ	S	.00	69460.45	.00	69460.45
SUBTOTAL			.00	35064194.05	.00	35133317.80
3K	A7	E	.00	14431.08	.00	14431.08
3K	A7	Q	.00	2232.49	.00	2232.49
3K	A7	T	.00	4250.78	.00	4251.20
3K	A7	U	.00	195738.92	.00	195738.92
3K	A7	W	.00	401.94	.00	401.94
SUBTOTAL			.00	217055.21	.00	217055.63
3K	A8	E	.00	578204.98	.00	578319.98
3K	A8	L	.00	52852.58	.00	52932.58
3K	A8	M	.00	162.60	.00	166.60
3K	A8	N	.00	1285.00	.00	1285.00
3K	A8	P	.00	39272.69	.00	41590.79

Figure 2. Expense Element Report (Navcompt 2171)

APPN: 961804 SBHD: 11MO OB/ECN: 62271 SX: 0 CHG UIC: 62271
SAG: MTH+i: Y

SAG	F/SF	EE	EXPENSES		GROSS ADJUSTED OBLIGATIONS	
			CURRENT MO	F.Y.T.D.	CURRENT MO	F.Y.T.D.
3K	A8	Q	.00	607390.39	.00	612839.45
3K	A8	S	.00	868.13	.00	868.13
3K	A8	T	.00	835049.07	.00	837239.41
3K	A8	U	.00	21702016.27	.00	21702016.27
3K	A8	W	.00	255053.77	.00	257079.96
3K	A8	Y	.00	494233.95	.00	494806.62
3K	A8	B	.00	6713.30	.00	6713.30
SUBTOTAL			.00	24573102.73	.00	24585858.09
3K	A9	E	.00	1419.80	.00	1419.80
SUBTOTAL			.00	1419.80	.00	1419.80
3K	A	D	.00	10645.00-	.00	10645.00-
3K	A	E	.00	4875353.62	.00	4877194.73
3K	A	L	.00	243521.88	.00	246709.43
3K	A	M	.00	26289.78	.00	27274.78
3K	A	N	.00	865547.23	.00	865988.03
3K	A	P	.00	1002160.12	.00	1006986.03
3K	A	Q	.00	9880458.64	.00	9895319.93
3K	A	R	.00	545.07	.00	545.07
3K	A	S	.00	868.13	.00	868.13
3K	A	T	.00	2273463.15	.00	2302439.55
3K	A	U	.00	38890317.37	.00	38890317.37
3K	A	V	.00	663.82	.00	663.82
3K	A	W	.00	3107951.85	.00	3134140.65
3K	A	Y	.00	763356.01	.00	763928.68
3K	A	B	.00	76173.75	.00	76173.75
SUBTOTAL			.00	61996025.42	.00	62077904.95
3K	DA	E	.00	18613.23	.00	18613.23
3K	DA	Q	.00	12409.20	.00	12409.20
3K	DA	T	.00	96266.62	.00	96266.62
3K	DA	U	.00	435297.70	.00	435297.70
3K	DA	W	.00	.00	.00	.00
SUBTOTAL			.00	562586.75	.00	562586.75
3K	DP	D	.00	.00	.00	.00
3K	DP	E	.00	5404.00	.00	5404.00
3K	DP	F	.00	867812.24	.00	871249.95
3K	DP	Q	.00	15723.39	.00	19373.39
3K	DP	T	.00	142993.75	.00	144592.39
3K	DP	U	.00	1087274.11	.00	1087274.11
3K	DP	W	.00	963570.48	.00	966262.97
SUBTOTAL			.00	3082777.97	.00	3094156.81
3K	D	D	.00	.00	.00	.00
3K	D	E	.00	24017.23	.00	24017.23
3K	D	F	.00	867812.24	.00	871249.95
3K	D	Q	.00	28132.59	.00	31782.59
3K	D	T	.00	239260.37	.00	240859.01
3K	D	U	.00	1522571.81	.00	1522571.81

Figure 2. Expense Element Report (Navcompt 2171) (continued)

APFN: 961804 SEHD: 11M0 OB/ECN: 62271 SX: 0 CHG UIC: 62271
SAG: MTH+1: Y

SAG F/SF EE	EXPENSES		GROSS ADJUSTED OBLIGATIONS	
	CURRENT MO	F.Y.T.D.	CURRENT MO	F.Y.T.D.
3K D W	.00	963570.48	.00	966262.97
SUBTOTAL	.00	3645364.72	.00	3656743.56
3K E1 U	.00	29923.40	.00	29923.40
SUBTOTAL	.00	29923.40	.00	29923.40
3K E U	.00	29923.40	.00	29923.40
SUBTOTAL	.00	29923.40	.00	29923.40
3K LZ U	.00	28.29	.00	28.29
SUBTOTAL	.00	28.29	.00	28.29
3K L U	.00	28.29	.00	28.29
SUBTOTAL	.00	28.29	.00	28.29
3K S1 U	.00	2000.00	.00	2000.00
SUBTOTAL	.00	2000.00	.00	2000.00
3K S U	.00	2000.00	.00	2000.00
SUBTOTAL	.00	2000.00	.00	2000.00
3K VZ Q	.00	3927.00-	.00	3927.00-
SUBTOTAL	.00	3927.00-	.00	3927.00-
3K V1 E	.00	11390.66	.00	11390.66
3K V1 P	.00	49.84	.00	60.00
3K V1 Q	.00	99596.50	.00	99596.50
3K V1 T	.00	13285.48	.00	13285.48
3K V1 U	.00	133469.97	.00	133469.97
3K V1 W	.00	2077.90	.00	2077.90
SUBTOTAL	.00	259870.35	.00	259880.51
3K V E	.00	11390.66	.00	11390.66
3K V P	.00	49.84	.00	60.00
3K V Q	.00	95669.50	.00	95669.50
3K V T	.00	13285.48	.00	13285.48
3K V U	.00	133469.97	.00	133469.97
3K V W	.00	2077.90	.00	2077.90
SUBTOTAL	.00	255943.35	.00	255953.51
3K XY E	.00	280181.87	.00	281292.96
3K XY L	.00	65.82	.00	65.82
3K XY M	.00	60.00	.00	60.00
3K XY P	.00	10118.80	.00	10258.80
3K XY Q	.00	362493.60	.00	368875.57
3K XY T	.00	185069.03	.00	187434.03
3K XY U	.00	2733252.67	.00	2733252.67
3K XY W	.00	126326.02	.00	126499.97
3K XY Y	.00	901.56	.00	901.56
SUBTOTAL	.00	3698469.37	.00	3708641.38

Figure 2. Expense Element Report (Navcompt 2171) (continued)

APPN: 961804 SBHD: 11MO OB/BCN: 62271 SX: 0 CHG UIC: 62271
SAG: MTH+1: Y

			EXPENSES		GROSS ADJUSTED OBLIGATIONS	
SAG	F/SF	EE	CURRENT MO	F.Y.T.D.	CURRENT MO	F.Y.T.D.
3K	X	E	.00	280181.87	.00	281292.96
3K	X	L	.00	65.82	.00	65.82
3K	X	M	.00	60.00	.00	60.00
3K	X	P	.00	10118.80	.00	10258.80
3K	X	Q	.00	362493.60	.00	368875.57
3K	X	T	.00	185069.03	.00	187434.03
3K	X	U	.00	2733252.67	.00	2733252.67
3K	X	W	.00	126326.02	.00	126499.97
3K	X	Y	.00	901.56	.00	901.56
SUBTOTAL			.00	3698469.37	.00	3708641.38
3K	YZ	E	.00	45828.25	.00	45828.25
3K	YZ	Q	.00	500.00	.00	500.00
3K	YZ	T	.00	90.37	.00	90.37
3K	YZ	U	.00	14315.11	.00	14315.11
3K	YZ	W	.00	1476.65	.00	1476.65
SUBTOTAL			.00	62210.38	.00	62210.38
3K	Y	E	.00	45828.25	.00	45828.25
3K	Y	Q	.00	500.00	.00	500.00
3K	Y	T	.00	90.37	.00	90.37
3K	Y	U	.00	14315.11	.00	14315.11
3K	Y	W	.00	1476.65	.00	1476.65
SUBTOTAL			.00	62210.38	.00	62210.38
3K		D	.00	10645.00-	.00	10645.00-
3K		E	.00	5236771.63	.00	5239723.83
3K		L	.00	243587.70	.00	246775.25
3K		M	.00	26349.78	.00	27334.78
3K		N	.00	865547.23	.00	865988.03
3K		P	.00	1880141.00	.00	1888554.78
3K		Q	.00	10367254.33	.00	10392147.59
3K		R	.00	545.07	.00	545.07
3K		S	.00	868.13	.00	868.13
3K		T	.00	2711168.40	.00	2744108.44
3K		U	.00	43325878.62	.00	43325878.62
3K		V	.00	663.82	.00	663.82
3K		W	.00	4201402.90	.00	4230458.14
3K		Y	.00	764257.57	.00	764830.24
3K		B	.00	76173.75	.00	76173.75
TOTAL			.00	69689964.93	.00	69793405.47
3L	AZ	Q	.00	6887.05-	.00	6887.05-
3L	AZ	U	.00	8070.01	.00	8070.01
SUBTOTAL			.00	1182.96	.00	1182.96
3L	A	Q	.00	6887.05-	.00	6887.05-
3L	A	U	.00	8070.01	.00	8070.01
SUBTOTAL			.00	1182.96	.00	1182.96
3L		Q	.00	6887.05-	.00	6887.05-

Figure 2. Expense Element Report (Navcompt 2171) (continued)

APFN: 961804 SBHD: 11MO OB/ECN: 62271 SX: 0 CHG UIC: 62271
SAG: MTH+1: Y

			EXPENSES		GROSS ADJUSTED OBLIGATIONS	
SAG	F/SF	EE	CURRENT MO	F.Y.T.D.	CURRENT MO	F.Y.T.D.
3L		U	.00	8070.01	.00	8070.01
TOTAL			.00	1182.96	.00	1182.96
5K	AZ	M	.00	58660.45	.00	63991.30
5K	AZ	Q	.00	26694.04	.00	26694.04
5K	AZ	T	.00	22506.77	.00	22506.77
5K	AZ	U	.00	2395.82	.00	2395.82
5K	AZ	W	.00	6279.88	.00	6279.88
SUBTOTAL			.00	116536.96	.00	121867.81
5K	A	M	.00	58660.45	.00	63991.30
5K	A	Q	.00	26694.04	.00	26694.04
5K	A	T	.00	22506.77	.00	22506.77
5K	A	U	.00	2395.82	.00	2395.82
5K	A	W	.00	6279.88	.00	6279.88
SUBTOTAL			.00	116536.96	.00	121867.81
5K	DA	E	.00	138444.02	.00	138444.02
5K	DA	Q	.00	105218.00	.00	105218.00
5K	DA	T	.00	39758.24	.00	39758.24
5K	DA	U	.00	496974.01	.00	496974.01
5K	DA	W	.00	425.50	.00	425.50
SUBTOTAL			.00	780819.77	.00	780819.77
5K	DP	F	.00	6711.01	.00	6711.01
5K	DP	Q	.00	1635.97	.00	1740.14
5K	DP	T	.00	13774.71	.00	14749.33
5K	DP	W	.00	41095.52	.00	41313.02
SUBTOTAL			.00	63217.21	.00	64513.50
5K	DZ	E	.00	4509.11	.00	4509.11
5K	DZ	M	.00	.00	.00	.00
5K	DZ	Q	.00	10385.69	.00	10385.69
5K	DZ	T	.00	14982.61	.00	16612.43
5K	DZ	U	.00	220619.44	.00	220619.44
5K	DZ	W	.00	16443.80	.00	16443.80
5K	DZ	Y	.00	3941.42	.00	3941.42
SUBTOTAL			.00	270882.07	.00	272511.89
5K	D1	E	.00	44620.45	.00	44620.45
5K	D1	L	.00	35126.20	.00	35195.90
5K	D1	N	.00	.00	.00	.00
5K	D1	P	.00	6458.80	.00	6458.80
5K	D1	Q	.00	12411.74	.00	11260.74
5K	D1	R	.00	6250.00	.00	6250.00
5K	D1	T	.00	130612.20	.00	135853.29
5K	D1	U	.00	2904816.03	.00	2904816.03
5K	D1	W	.00	8156.92	.00	8156.92
5K	D1	Y	.00	30521.71	.00	30521.71
SUBTOTAL			.00	3154150.57	.00	3160612.36

Figure 2. Expense Element Report (Navcompt 2171) (continued)

APPN: 961804 SBHD: 11MO DB/BCN: 62271 SX: 0 CHG UIC: 62271
SAG: MTH+1: Y

			EXPENSES		GROSS ADJUSTED OBLIGATIONS	
SAG	F/SF	EE	CURRENT MO	F.Y.T.D.	CURRENT MO	F.Y.T.D.
5K	D	E	.00	187573.58	.00	187573.58
5K	D	L	.00	35126.20	.00	35195.90
5K	D	M	.00	.00	.00	.00
5K	D	N	.00	.00	.00	.00
5K	D	P	.00	13169.81	.00	13169.81
5K	D	Q	.00	104827.92	.00	106083.09
5K	D	R	.00	6250.00	.00	6250.00
5K	D	T	.00	199127.76	.00	206973.29
5K	D	U	.00	3622409.48	.00	3622409.48
5K	D	W	.00	66121.74	.00	66339.24
5K	D	Y	.00	3941.42	.00	3941.42
5K	D	B	.00	30521.71	.00	30521.71
SUBTOTAL			.00	4269069.62	.00	4278457.52
5K	EZ	Q	.00	6430.00	.00	6430.00
5K	EZ	U	.00	7600.00	.00	7600.00
SUBTOTAL			.00	14030.00	.00	14030.00
5K	E1	E	.00	1570.80	.00	1570.80
5K	E1	P	.00	3142.65	.00	3715.82
5K	E1	Q	.00	78442.12	.00	76694.62
5K	E1	T	.00	6145.45	.00	7171.56
5K	E1	U	.00	1168810.61	.00	1168810.61
5K	E1	W	.00	918.24	.00	1393.24
SUBTOTAL			.00	1102145.63	.00	1105967.41
5K	E	E	.00	1570.80	.00	1570.80
5K	E	P	.00	3142.65	.00	3715.82
5K	E	Q	.00	72012.12	.00	70264.62
5K	E	T	.00	6145.45	.00	7171.56
5K	E	U	.00	1176410.61	.00	1176410.61
5K	E	W	.00	918.24	.00	1393.24
SUBTOTAL			.00	1116175.63	.00	1119997.41
5K	FC	U	.00	.00	.00	.00
SUBTOTAL			.00	.00	.00	.00
5K	FE	U	.00	.00	.00	.00
SUBTOTAL			.00	.00	.00	.00
5K	F	U	.00	.00	.00	.00
SUBTOTAL			.00	.00	.00	.00
5K	LA	N	.00	845500.00	.00	845500.00
5K	LA	W	.00	.00	.00	.00
SUBTOTAL			.00	845500.00	.00	845500.00
5K	LZ	E	.00	.00	.00	.00
5K	LZ	M	.00	17708.13	.00	17708.13
5K	LZ	Q	.00	177758.03	.00	177758.03
5K	LZ	T	.00	71726.01	.00	72261.35

Figure 2. Expense Element Report (Navcompt 2171) (continued)

AFFN: 961804 SEHD: 11MO OB/BCN: 62271 SX: 0 CHG UIC: 62271
SAG: MTH+1: Y

			EXPENSES		GROSS ADJUSTED OBLIGATIONS	
SAG	F/SF	EE	CURRENT MO	F.Y.T.D.	CURRENT MO	F.Y.T.D.
5K	LZ	U	.00	231107.36	.00	231107.36
5K	LZ	V	.00	8734.54	.00	9521.62
5K	LZ	W	.00	4951.21	.00	4951.21
SUBTOTAL			.00	511985.28	.00	513307.70
5K	L1	Q	.00	38841.55-	.00	38541.55-
5K	L1	T	.00	3342.23	.00	3401.73
5K	L1	U	.00	584232.58	.00	584232.58
5K	L1	W	.00	252.50	.00	252.50
SUBTOTAL			.00	548985.76	.00	549345.26
5K	L7	M	.00	2360.76	.00	2614.48
5K	L7	Q	.00	14922.78	.00	14922.78
5K	L7	T	.00	46699.44	.00	46774.20
5K	L7	U	.00	105092.85	.00	105092.85
5K	L7	V	.00	25272.80	.00	25272.80
SUBTOTAL			.00	194348.63	.00	194677.11
5K	L	E	.00	.00	.00	.00
5K	L	M	.00	20068.89	.00	20322.61
5K	L	N	.00	845500.00	.00	845500.00
5K	L	Q	.00	153839.26	.00	154139.26
5K	L	T	.00	121767.68	.00	122437.28
5K	L	U	.00	920432.79	.00	920432.79
5K	L	V	.00	34007.34	.00	34794.42
5K	L	W	.00	5203.71	.00	5203.71
SUBTOTAL			.00	2100819.67	.00	2102830.07
5K	MZ	E	.00	31301.64	.00	31301.64
5K	MZ	L	.00	117.02	.00	117.02
5K	MZ	M	.00	6576.32	.00	7160.47
5K	MZ	P	.00	3730.00	.00	3730.00
5K	MZ	Q	.00	4494307.24	.00	4495632.74
5K	MZ	R	.00	472.86	.00	472.86
5K	MZ	T	.00	2292586.82	.00	2303926.02
5K	MZ	U	.00	6388090.36	.00	6388090.36
5K	MZ	V	.00	29088.28	.00	29088.28
5K	MZ	W	.00	339349.73	.00	339849.73
SUBTOTAL			.00	13585620.27	.00	13599369.12
5K	M1	L	.00	769.31	.00	769.31
5K	M1	M	.00	2856.19	.00	3192.19
5K	M1	P	.00	161.96	.00	330.00
5K	M1	Q	.00	825843.68	.00	827595.26
5K	M1	T	.00	465644.00	.00	470733.00
5K	M1	U	.00	2186366.05	.00	2186366.05
5K	M1	V	.00	31.20	.00	31.20
5K	M1	W	.00	24992.85	.00	25132.85
SUBTOTAL			.00	3506665.24	.00	3514149.86
5K	M	E	.00	31301.64	.00	31301.64

Figure 2. Expense Element Report (Navcompt 2171) (continued)

APFN: 961804 SBHD: 11MO OB/BCN: 62271 SX: 0 CHG UIC: 62271
SAG: MTH#1: Y

			EXPENSES		GROSS ADJUSTED OBLIGATIONS	
SAG	F/SF	EE	CURRENT MO	F.Y.T.D.	CURRENT MO	F.Y.T.D.
5K	M	L	.00	886.33	.00	886.33
5K	M	M	.00	9432.51	.00	10352.66
5K	M	P	.00	3891.96	.00	4060.00
5K	M	Q	.00	5320150.92	.00	5323228.00
5K	M	R	.00	472.86	.00	472.86
5K	M	T	.00	2758230.82	.00	2774659.02
5K	M	U	.00	8574456.41	.00	8574456.41
5K	M	V	.00	29119.48	.00	29119.48
5K	M	W	.00	364342.58	.00	364982.58
SUBTOTAL			.00	17092285.51	.00	17113518.98
5K	NZ	M	.00	2016919.62	.00	2035596.85
5K	NZ	Q	.00	115.48	.00	585.79
5K	NZ	U	.00	2754.97	.00	2754.97
SUBTOTAL			.00	2019790.07	.00	2038937.61
5K	N1	M	.00	1259091.14	.00	1261321.19
5K	N1	Q	.00	8000.00	.00	8000.00
5K	N1	T	.00	23723.95	.00	24742.11
5K	N1	U	.00	128891.98	.00	128891.98
5K	N1	W	.00	1741.50	.00	1741.50
SUBTOTAL			.00	1421448.57	.00	1424696.78
5K	N	M	.00	3276010.76	.00	3296918.04
5K	N	Q	.00	8115.48	.00	8585.79
5K	N	T	.00	23723.95	.00	24742.11
5K	N	U	.00	131646.95	.00	131646.95
5K	N	W	.00	1741.50	.00	1741.50
SUBTOTAL			.00	3441238.64	.00	3463634.39
5K	PZ	E	.00	6623.87	.00	6623.87
5K	PZ	L	.00	5816.00	.00	5816.00
5K	PZ	M	.00	19013.29	.00	21390.28
5K	PZ	P	.00	646.00	.00	1190.00
5K	PZ	Q	.00	706147.51	.00	708156.81
5K	PZ	T	.00	111391.74	.00	114968.69
5K	PZ	U	.00	1444928.01	.00	1444928.01
5K	PZ	V	.00	1768.33	.00	2369.35
5K	PZ	W	.00	154333.41	.00	154878.41
5K	PZ	S	.00	368.00	.00	368.00
SUBTOTAL			.00	2451036.16	.00	2460689.42
5K	P1	L	.00	36355.04	.00	36355.04
5K	P1	M	.00	168.00	.00	336.00
5K	P1	P	.00	1879.74	.00	2252.00
5K	P1	Q	.00	1747298.65	.00	1748200.15
5K	P1	T	.00	42343.61	.00	42806.11
5K	P1	U	.00	1430212.97	.00	1430212.97
5K	P1	V	.00	28.27	.00	28.27
5K	P1	W	.00	5359.64	.00	5889.64
SUBTOTAL			.00	3263645.92	.00	3266080.18

Figure 2. Expense Element Report (Navcompt 2171) (continued)

APFN: 961804 SBHD: 11MO OB/BCN: 62271 SX: 0 CHG UIC: 62271
SAG: MTH+1: Y

SAG F/SF EE			EXPENSES		GROSS ADJUSTED OBLIGATIONS	
			CURRENT MO	F.Y.T.D.	CURRENT MO	F.Y.T.D.
5K	P	E	.00	6623.87	.00	6623.87
5K	P	L	.00	42171.04	.00	42171.04
5K	P	M	.00	19181.29	.00	21726.28
5K	P	P	.00	2525.74	.00	3442.00
5K	P	Q	.00	2453446.16	.00	2456356.96
5K	P	T	.00	153735.35	.00	157774.80
5K	P	U	.00	2875140.98	.00	2875140.98
5K	P	V	.00	1796.60	.00	2397.62
5K	P	W	.00	159693.05	.00	160768.05
5K	P	B	.00	368.00	.00	368.00
SUBTOTAL			.00	5714682.08	.00	5726769.60
5K	RZ	U	.00	23.80	.00	23.80
SUBTOTAL			.00	23.80	.00	23.80
5K	R1	Q	.00	21816.00	.00	21816.00
SUBTOTAL			.00	21816.00	.00	21816.00
5K	R	Q	.00	21816.00	.00	21816.00
5K	R	U	.00	23.80	.00	23.80
SUBTOTAL			.00	21839.80	.00	21839.80
5K	S1	E	.00	3978.43	.00	3978.43
5K	S1	K	.00	3.94	.00	3.94
5K	S1	L	.00	.00	.00	.00
5K	S1	M	.00	1300.00	.00	1300.00
5K	S1	P	.00	.00	.00	.00
5K	S1	Q	.00	163536.55	.00	165488.00
5K	S1	T	.00	78202.81	.00	81737.56
5K	S1	U	.00	884176.97	.00	884176.97
5K	S1	W	.00	15052.58	.00	15052.58
5K	S1	Y	.00	.00	.00	.00
SUBTOTAL			.00	1146251.28	.00	1151737.48
5K	S	E	.00	3978.43	.00	3978.43
5K	S	K	.00	3.94	.00	3.94
5K	S	L	.00	.00	.00	.00
5K	S	M	.00	1300.00	.00	1300.00
5K	S	P	.00	.00	.00	.00
5K	S	Q	.00	163536.55	.00	165488.00
5K	S	T	.00	78202.81	.00	81737.56
5K	S	U	.00	884176.97	.00	884176.97
5K	S	W	.00	15052.58	.00	15052.58
5K	S	Y	.00	.00	.00	.00
SUBTOTAL			.00	1146251.28	.00	1151737.48
5K	XY	T	.00	.00	.00	.00
SUBTOTAL			.00	.00	.00	.00
5K	X	T	.00	.00	.00	.00
SUBTOTAL			.00	.00	.00	.00

Figure 2. Expense Element Report (Navcompt 2171) (continued)

APPN: 961804 SBHD: 11MO OB/BCN: 62271 SX: 0 CHG UIC: 62271
SAG: MTH+1: Y

SAG F/SF EE	EXPENSES CURRENT MO	F.Y.T.D.	GROSS ADJUSTED OBLIGATIONS CURRENT MO	F.Y.T.D.
5K	E	.00 231048.32	.00 231048.32	
5K	K	.00 3.94	.00 3.94	
5K	L	.00 78183.57	.00 78253.27	
5K	M	.00 3384653.90	.00 3414610.89	
5K	N	.00 845500.00	.00 845500.00	
5K	P	.00 22730.16	.00 24387.63	
5K	Q	.00 8180414.21	.00 8192126.52	
5K	R	.00 6722.86	.00 6722.86	
5K	T	.00 3363440.59	.00 3398002.39	
5K	U	.00 18187093.81	.00 18187093.81	
5K	V	.00 64923.42	.00 66311.52	
5K	W	.00 619353.28	.00 621760.78	
5K	Y	.00 3941.42	.00 3941.42	
5K	B	.00 30889.71	.00 30889.71	
TOTAL		.00 35018899.19	.00 35100653.06	
	D	.00 10645.00-	.00 10645.00-	
	E	.00 5467819.95	.00 5470772.15	
	K	.00 3.94	.00 3.94	
	L	.00 321771.27	.00 325028.52	
	M	.00 3411003.68	.00 3441945.67	
	N	.00 1711047.23	.00 1711488.03	
	P	.00 1902871.16	.00 1912942.41	
	Q	.00 18540781.49	.00 18577387.06	
	R	.00 7267.93	.00 7267.93	
	S	.00 868.13	.00 868.13	
	T	.00 6074608.99	.00 6142110.83	
	U	.00 61521042.44	.00 61521042.44	
	V	.00 65587.24	.00 66975.34	
	W	.00 4820756.18	.00 4852218.92	
	Y	.00 768198.99	.00 768771.66	
	B	.00 107063.46	.00 107063.46	
TOTAL		.00 104710047.08	.00 104895241.49	

Figure 2. Expense Element Report (Navcompt 2171) (continued)

APPN: 961804 SBHD: 11MO OB/BCN: 62271 SX: 0 CHG UIC: 62271
SAG: MTH+1: Y

SAG F/SF EE		EXPENSES		GROSS ADJUSTED OBLIGATIONS	
		CURRENT MO	F.Y.T.D.	CURRENT MO	F.Y.T.D.
EE TOTALS	D	.00	10645.00-	.00	10645.00-
DIRECT		.00	.00	.00	.00
REIMB		.00	10645.00-	.00	10645.00-
	E	.00	5467819.95	.00	5470772.15
DIRECT		.00	1100005.32	.00	1101231.41
REIMB		.00	4367814.63	.00	4369540.74
	K	.00	3.94	.00	3.94
DIRECT		.00	3.94	.00	3.94
REIMB		.00	.00	.00	.00
	L	.00	321771.27	.00	325028.52
DIRECT		.00	125168.95	.00	125318.65
REIMB		.00	196602.32	.00	199709.87
	M	.00	3411003.68	.00	3441945.67
DIRECT		.00	1265998.69	.00	1268990.46
REIMB		.00	2145004.99	.00	2172955.21
	N	.00	1711047.23	.00	1711488.03
DIRECT		.00	846785.00	.00	846785.00
REIMB		.00	864262.23	.00	864703.03
	P	.00	1902871.16	.00	1912942.41
DIRECT		.00	935607.73	.00	942627.17
REIMB		.00	967263.43	.00	970315.24
	Q	.00	18540781.49	.00	18577387.06
DIRECT		.00	5954334.24	.00	5977722.47
REIMB		.00	12586447.25	.00	12599664.59
	R	.00	7267.93	.00	7267.93
DIRECT		.00	6250.00	.00	6250.00
REIMB		.00	1017.93	.00	1017.93
	S	.00	868.13	.00	868.13
DIRECT		.00	868.13	.00	868.13
REIMB		.00	.00	.00	.00
	T	.00	6074608.99	.00	6142110.83
DIRECT		.00	2127161.37	.00	2150796.26
REIMB		.00	3947447.62	.00	3991314.57
	U	.00	61521042.44	.00	61521042.44
DIRECT		.00	36251142.27	.00	36251142.27
REIMB		.00	25269900.17	.00	25269900.17
	V	.00	65587.24	.00	66975.34
DIRECT		.00	25332.27	.00	25332.27
REIMB		.00	40254.97	.00	41643.07
	W	.00	4820756.18	.00	4852218.92
DIRECT		.00	1445425.36	.00	1451680.49
REIMB		.00	3375330.82	.00	3400538.43
	Y	.00	768198.99	.00	768771.66
DIRECT		.00	495135.51	.00	495708.18
REIMB		.00	273063.48	.00	273063.48
	8	.00	107063.46	.00	107063.46
DIRECT		.00	37235.01	.00	37235.01
REIMB		.00	69828.45	.00	69828.45

Figure 2. Expense Element Report (Navcompt 2171) (continued)

USER ID: KOP1274
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STARS/FL
NAVCOMPT 2171 REPORT

07/25/96 14:12:20 LXR1562
PAGE: 12

APPN: 961804 SBHD: 11MO DB/ECN: 62271 SX: 0 CHG UIC:
SAG: MTH+1: Y

SAG F/SF EE	EXPENSES		GROSS ADJUSTED OBLIGATIONS	
	CURRENT MO	F.Y.T.D.	CURRENT MO	F.Y.T.D.
D	.00	10645.00-	.00	10645.00-
E	.00	5467819.95	.00	5470772.15
K	.00	3.94	.00	3.94
L	.00	321771.27	.00	325028.52
M	.00	3411003.68	.00	3441945.67
N	.00	1711047.23	.00	1711488.03
P	.00	1902871.16	.00	1912942.41
Q	.00	18540781.49	.00	18577387.06
R	.00	7267.93	.00	7267.93
S	.00	868.13	.00	868.13
T	.00	6074608.99	.00	6142110.83
U	.00	61521042.44	.00	61521042.44
V	.00	65587.24	.00	66975.34
W	.00	4820756.18	.00	4852218.92
Y	.00	768198.99	.00	768771.66
B	.00	107063.46	.00	107063.46
GRAND TOTAL	.00	104710047.08	.00	104895241.49

Figure 2. Expense Element Report (Navcompt 2171) (continued)

APPN: 961804 SBHD: 11MO OB/BCN: 62271 SX: 0 CHG UTC:
SAG: MTH+1: Y

SAG F/SF EE		EXPENSES		GROSS ADJUSTED OBLIGATIONS	
		CURRENT MO	F.Y.T.D.	CURRENT MO	F.Y.T.D.
EE TOTALS	D	.00	10645.00--	.00	10645.00--
DIRECT		.00	.00	.00	.00
REIMB		.00	10645.00--	.00	10645.00--
	E	.00	5467819.95	.00	5470772.15
DIRECT		.00	1100005.32	.00	1101231.41
REIMB		.00	4367814.63	.00	4369540.74
	K	.00	3.94	.00	3.94
DIRECT		.00	3.94	.00	3.94
REIMB		.00	.00	.00	.00
	L	.00	321771.27	.00	325028.52
DIRECT		.00	125168.95	.00	125318.65
REIMB		.00	196602.32	.00	199709.87
	M	.00	3411003.68	.00	3441945.67
DIRECT		.00	1265998.69	.00	1268990.46
REIMB		.00	2145004.99	.00	2172955.21
	N	.00	1711047.23	.00	1711488.03
DIRECT		.00	846785.00	.00	846785.00
REIMB		.00	864262.23	.00	864703.03
	P	.00	1902871.16	.00	1912942.41
DIRECT		.00	935607.73	.00	942627.17
REIMB		.00	967263.43	.00	970315.24
	Q	.00	18540781.49	.00	18577387.06
DIRECT		.00	5954334.24	.00	5977722.47
REIMB		.00	12586447.25	.00	12599664.59
	R	.00	7267.93	.00	7267.93
DIRECT		.00	6250.00	.00	6250.00
REIMB		.00	1017.93	.00	1017.93
	S	.00	868.13	.00	868.13
DIRECT		.00	868.13	.00	868.13
REIMB		.00	.00	.00	.00
	T	.00	6074608.99	.00	6142110.83
DIRECT		.00	2127161.37	.00	2150796.26
REIMB		.00	3947447.62	.00	3991314.57
	U	.00	61521042.44	.00	61521042.44
DIRECT		.00	36251142.27	.00	36251142.27
REIMB		.00	25269900.17	.00	25269900.17
	V	.00	65587.24	.00	66975.34
DIRECT		.00	25332.27	.00	25332.27
REIMB		.00	40254.97	.00	41643.07
	W	.00	4820756.18	.00	4852218.92
DIRECT		.00	1445425.36	.00	1451680.49
REIMB		.00	3375330.82	.00	3400538.43
	Y	.00	768198.99	.00	768771.66
DIRECT		.00	495135.51	.00	495708.18
REIMB		.00	273063.48	.00	273063.48
	8	.00	107063.46	.00	107063.46
DIRECT		.00	37235.01	.00	37235.01
REIMB		.00	69828.45	.00	69828.45

Figure 2. Expense Element Report (Navcompt 2171) (continued)

APPN: 961810 SBHD: X7YH ALLOT: 62271 SA: 0 MTH+1: Y

BP	TASK	AUTHORIZATIONS		COMMITMENTS	
		AUTH RECD	YEAR TO DTE	CURRENT CHNGS	YEAR TO DTE
62	ASSIGNMENT	.00	600000.00	.00	85681.95
	LOCAL ADJ	.00	.00		
	TOTAL AUTH	.00	600000.00		

OBLIGATIONS		DISBURSEMENTS		UNCOMMITTED BALANCE
CURRENT CHNGS	YEAR TO DTE	CURRENT CHNGS	YEAR TO DTE	
.00	.00	.00	.00	514318.05
	UNDISTRIBUTED	.00	.00	

BP	TASK	AUTHORIZATIONS		COMMITMENTS	
		AUTH RECD	YEAR TO DTE	CURRENT CHNGS	YEAR TO DTE
62	ASSIGNMENT	.00	600000.00	.00	85681.95
	BP TOTALS	.00	600000.00		
	LOCAL ADJ	.00	.00		
	TOTAL AUTH	.00	600000.00		

OBLIGATIONS		DISBURSEMENTS		UNCOMMITTED BALANCE
CURRENT CHNGS	YEAR TO DTE	CURRENT CHNGS	YEAR TO DTE	
.00	.00	.00	.00	514318.05
	UNDISTRIBUTED	.00	.00	

TOTAL FOR APPN

BP	TASK	AUTHORIZATIONS		COMMITMENTS	
		AUTH RECD	YEAR TO DTE	CURRENT CHNGS	YEAR TO DTE
	ASSIGNMENT	.00	600000.00	.00	85681.95
	LOCAL ADJ	.00	.00		
	TOTAL AUTH	.00	600000.00		

OBLIGATIONS		DISBURSEMENTS		UNCOMMITTED BALANCE
CURRENT CHNGS	YEAR TO DTE	CURRENT CHNGS	YEAR TO DTE	
.00	.00	.00	.00	514318.05
	UNDISTRIBUTED	.00	.00	

Figure 3. Status of Allotment Report (Navcompt 2025)

NHFS		REPORT ON BUDGET EXECUTION			
DOD COMPONENT		NAVY		PERIOD ENDING DATE: 31 MAY 86	
APPROPRIATION TITLE		1804		PAGE 005A	
		OPERATION & MAINTENANCE, NAVY			
BUDGETARY RESOURCES		17 6 1804	17 5/6 1804	17 5 1804	17 4 1804
BUDGET AUTHORITY					
1A APPROPRIATION REALIZED	1A 21,399,425,000.00		.00	.00	.00
1B OTHER NEW AUTH REALIZED		.00	.00	.00	.00
1C NEW TRANS CY AUTH REALZD	458,585,000.00		.00	.00	.00
1D ANTICIPATED RESOURCES		.00	.00	.00	.00
1 TOT BUDGET AUTHORITY	21,658,010,000.00		.00	.00	.00
UNOBLIGATED BALANCE					
2A BROUGHT FORWARD OCT. 1		.00	8,177,696.27	80,519,800.95	49,806,178.85
2B NET TRANS OF PY BALANCES		.00	.00	.00	.00
2C ANTIC TRANS OF PY BAL		.00	.00	.00	.00
2 TOT UNOBLIGATED BALANCE		.00	8,177,696.27	80,519,800.95	49,806,178.85
REIMBURSEMENT & OTH INCOME					
3A EARNED	1,561,660,520.22		.00	515,253,265.62	63,646,008.65
3B CHANGE UNFILLED CUST ORD	1,628,625,150.39		.00	-482,854,122.19	-70,276,102.04
3C ANTIC ORDERS REST OF YR		.00	.00	.00	.00
3 TOT REIMBURS & OTH INC	3,200,285,670.61		.00	32,399,143.43	-6,630,093.39
4A ACT RECOV PRIOR OBL DIR		.00	.00	66,874,000.00	34,682,000.00
4B ACT RECOV PRIOR OBL REIM		.00	.00	.00	7,064,574.26
4 RECOVERIES OF PRIOR OBLIG		.00	.00	66,874,000.00	41,746,574.26
5A		.00	.00	.00	.00
5B RESTOR (+)/WRITE-OFFS(-)		.00	.00	.00	.00
5C		.00	.00	.00	.00
5D ENACTED RECISSE OF PY AUTH	-13,883,000.00		.00	.00	.00
5E WITHHELD PENDING RECISSE		.00	.00	.00	.00
5 TOTAL	-13,883,000.00		.00	.00	.00
6 TOT BUDGETARY RESOURCES	24,844,412,670.61		8,177,696.27	179,792,944.38	84,922,659.72
STAT OF BUDGETARY RESOURCES					
OBLIGATIONS INCURRED					
7A DIRECT OBLIG INCURRED	15,582,135,080.67		2,389,887.83	24,315,588.50	4,426,424.20
7B REIMR OBLIG INCURRED	2,348,607,518.67		.00	32,399,143.43	634,480.87
7 TOTAL OBLIG INCURRED	17,730,742,599.34		2,389,887.83	56,714,731.93	4,860,915.07
UNOBLIGATED BALANCES AVAIL					
8A COMMITMENTS OUTSTANDING		.00	.00	.00	.00
8B RES ANT RESRC-AUTO APPORT		.00	.00	.00	.00
8C RES OTH ANTIC RESRC		.00	.00	.00	.00
8D OTHER BAL CURRENTLY AVAIL	4,056,565,071.27		5,787,808.44	123,078,212.45	80,061,744.65
8 TOT UNOBLIG BAL AVAILABLE	4,056,565,071.27		5,787,808.44	123,078,212.45	80,061,744.65
UNOBLIG BALANCE NOT AVAIL					
9A APPORT SUBSEQ PERIOD	3,057,105,000.00		.00	.00	.00
9B DEFERRED		.00	.00	.00	.00
9C BAL SUBJ FUTURE APPORT		.00	.00	.00	.00
9D BALANCE EXPIRED ACCOUNTS		.00	.00	.00	.00
9 TOT UNOBLIG BAL NOT AVAIL	3,057,105,000.00		.00	.00	.00
10 TOT BUDGETARY RESOURCES	24,844,412,670.61		8,177,696.27	179,792,944.38	84,922,659.72
RELATION OF OBLIG DISBURSE					
OBLIG BAL-NET, AS OF OCT. 1					
11A GROSS UNPAID OBLIGATIONS		.00	27,147,165.49	4,374,901,152.26	1,326,321,830.77
11B UNCOLLECT REIMB ORDER		.00	.00	1,524,892,412.94	760,453,723.57
11 TOT OBLIG BAL-NET, OCT. 1		.00	27,147,165.49	2,850,008,739.32	565,868,107.20
OBLIGATED BAL-TRANSFERRED					
12A OBLIGATIONS TRANSFERRED		.00	.00	.00	.00
12B REIMBURSE TRANSFERRED		.00	.00	.00	.00
12 TOT OBLIG BAL TRANSFERRED		.00	.00	.00	.00
OBLIG BAL-NET-END OF PERIOD					
GROSS UNPAID OBLIGATIONS					
13A1 UNDELIVERED ORDERS	5,435,836,687.18		21,122,401.06	2,265,662,476.21	671,261,861.16
13A2 ACCTS PAY + ACCRD LIAB	1,325,037,397.15		.00	196,717,915.74	250,540,885.28
13A3 ADV-PREPAYMT, REF DUE(-)IB	-19,773,703.03		.00 B	-12,669,997.75 B	-8,059,368.21
13A TOT GROSS UNPAID OBLIG	6,941,100,381.30		21,122,401.06	2,448,710,394.16	912,943,378.13
UNCOLLECTED REIMB ORDERS					
13B1 REIMBURGABLE RECEIVABLE	353,100,682.71		.00	397,503,906.26	422,278,508.24
13B2 UNEARNED REVENUES (-)	-5,498,867.14		.00	1,372,620.08	1,006,781.23
13B3 UNFILLED CUST ORDERS	1,628,625,150.39		.00	348,862,997.10	184,585,428.34
13B TOT UNCOLL REIMB ORDER	1,986,226,965.96		.00	747,741,523.44	607,870,727.81
13 TOT OBL BAL-NET END PERI	4,954,873,415.34		21,122,401.06	1,700,968,870.72	305,072,650.32
OUTLAYS- CASH BASIS					
14A DISBURSMENT(NET REFUNDG)	10,789,642,218.04		8,414,652.26	1,916,031,490.02	376,492,793.45
14B REIMBURSEMENT COLLECTED	1,214,058,704.65		.00	809,550,032.92	145,952,902.37
14 NET OUTLAYS-CASH BASIS	9,575,583,513.39		8,414,652.26	1,106,481,457.10	230,539,891.08
CHANGE NET ACCTS PAYABLE					
15A NET ACCTS PAY END PERIOD	957,661,878.55		.00	-215,829,608.39	-181,603,772.50
15B ADJUST NET ACCTS PAYABLE		.00	.00	.00	.00
15C NET ACCTS PAYABLE OCT. 1		.00	.00	634,825,745.96	-166,874,694.19
15 TOT CHANGE NET ACCTS PAY	957,661,878.55		.00	-850,655,354.35	-14,729,078.21
16 TOT ACCRUED EXPEND (NET)	10,533,245,291.94		8,414,652.26	255,826,102.75	215,810,812.37
PERIOD ENDING DATE: 31 MAY 86		TYPED NAME OF AUTHORIZED OFFICER		SIGNATURE OF AUTHORIZED OFFICER	
DD FORM 1176 88 OCT		PHYLLIS HUDSON			
		DIRECTOR, DFAS CLEVELAND			
APPROPRIATION TITLE 1804		OPERATION & MAINTENANCE, NAVY		PAGE 005A	

Figure 4. Report on Budget Execution (DD 1176)

HFFS		SUPPLEMENTAL SCHEDULE TO REPORT ON BUDGET EXECUTION			
DOD COMPONENT	NAVY	OPERATION & MAINTENANCE, NAVY			PERIOD ENDING DATE: 31 MAY 96
APPROPRIATION TITLE	1804	PAGE 005A			
BUDGETARY RESOURCES	17 6 1804	17 5/6 1804	17 5 1804	17 4 1804	
A OTHER NEW AUTHORITY REALIZED					
1B1 NEW CONTRACT AUTHORITY	.00	.00	.00	.00	
1B2 REAPPROPRIATION	.00	.00	.00	.00	
1B3 OTHER AUTHORITY	.00	.00	.00	.00	
1B TOTAL NEW AUTH REAL	.00	.00	.00	.00	
B ANTI ORDERS REST OF YR					
3F FUND (AUTOMATIC)	.00	.00	.00	.00	
3E UNFUNDED	.00	.00	.00	.00	
3C ANTI ORD REST OF YR	.00	.00	.00	.00	
C TOT REIMB & OTHER INCOME					
3H FUNDED (AUTOMATIC)	5,101,235,585.45	.00	22,760,789.18	-7,064,574.26	
3G UNFUNDED	99,052,084.96	.00	9,638,354.25	434,480.87	
3 TOT REIMB & OTH INC	5,200,285,670.41	.00	32,399,143.43	-6,630,093.39	
D RECOV-PRIO OBL (UNEXP ACT)					
4A DIRECT	.00	.00	66,874,000.00	34,482,000.00	
4B1 FUNDED(WORK & SRVC)	.00	.00	.00	7,064,574.26	
4B2 UNFUNDED	.00	.00	.00	.00	
4 ACT RECOV OF PRI OBL	.00	.00	66,874,000.00	41,746,574.26	
E OBLIG INCURD (UNEXP ACCTS)					
7A DIRECT	15,582,135,080.47	2,389,887.83	24,315,588.50	4,426,434.20	
7B FUNDED(WORK & SRVC)	2,049,555,433.71	.00	22,760,789.18	.00	
7C UNFUNDED	99,052,084.96	.00	9,638,354.25	434,480.87	
7 OBLIG INCURRED	17,730,742,599.14	2,389,887.83	56,714,731.93	4,860,915.07	
F TRAVEL & TRANSPORTATION					
7.1A TRAVL-DIRECT OBLIG	238,715,282.17	.00	10,777,690.76	-433,195.93	
7.1B TRAVL-REIMB OBLIG	85,474,663.26	.00	1,865,550.24	-499,406.57	
7.2A TRANSPORT-DIR. OBL	41,644,060.47	.00	7,567,677.05	4,442,788.17	
7.2B TRANSPORT-REIM OBL	3,063,645.77	.00	421,172.57	-4,422.79	
G GROSS UNPAY OBL OCT 1					
11A1 UNDELIVERED ORDERS	.00	27,147,165.49	3,046,901,112.45	987,604,341.77	
11A2 ACT PAY & ACCRD LIAB	.00	.00	1,363,986,151.08	349,213,588.33	
11A3 ADV PPAY/REF DUE(-)	.00	.00	-35,986,111.47	-10,496,099.33	
11A GROSS UNPAID OBLIG	.00	27,147,165.49	4,374,901,152.06	1,326,521,830.77	
H UNCOL REIM ORD AS OF 1 OCT					
11B1 REIMBURS RECEIVABLE	.00	.00	691,773,911.21	504,681,138.35	
11B2 UNEARNED REVENUES(-)	.00	.00	1,400,382.44	911,044.84	
11B3 UNFILLED CUST ORDER	.00	.00	821,718,119.29	254,861,540.38	
11B UNCOL REIMBUR ORDER	.00	.00	1,524,872,412.94	760,452,723.57	
I OBLIGATIONS TRANSFERRED					
12A1 UNDELIVERED ORDERS	.00	.00	.00	.00	
12A2 ACT PAY/ACCRD LIAB	.00	.00	.00	.00	
12A3 ADV PPAY/REF DUE(-)	.00	.00	.00	.00	
12A OBLIG TRANSFERRED	.00	.00	.00	.00	
J REIMBURSEMENTS TRANSFERRED					
12B1 REIMBURS RECEIVABLE	.00	.00	.00	.00	
12B2 UNEARNED REVENUES(-)	.00	.00	.00	.00	
12B3 UNFILLED CUST ORDER	.00	.00	.00	.00	
12B REIMBURS TRANSFERD	.00	.00	.00	.00	
K ACCT PAY & ACCRD LIAB					
13A2.1 RELAT TO PUBLIC	479,420,317.27	.00	116,141,822.57	129,172,283.06	
13A2.2 RELAT TO US GOV AGCY	845,607,079.88	.00	80,576,095.17	121,368,602.22	
13A2 ACT PAY/ACCRD LIAB	1,325,027,397.15	.00	196,717,915.74	250,540,885.28	
L ADV. PREPAYS & REFUND DUE					
13A2.1 ADV/PREPAY PUBLIC	-19,773,705.03	.00	-13,669,997.79	-8,859,368.31	
13A2.2 ADV/PREPAY-US GOV	.00	.00	.00	.00	
13A2.3 REFUND DUE-PUBLIC	.00	.00	.00	.00	
13A2.4 REFUND DUE-US GOV	.00	.00	.00	.00	
13A2 ADV PPAY/REFUND DUE	-19,773,705.03	.00	-13,669,997.79	-8,859,368.31	
M REIMBURSEMENTS RECEIVABLE					
13B1.1 FRM THE PUBLIC	27,829,481.87	.00	15,657,631.53	4,130,081.01	
13B1.2 FRM US GOV. AGENCY	325,271,200.84	.00	381,846,274.73	418,148,427.23	
13B1 REIMBURS RECEIVABLE	353,100,682.71	.00	597,503,906.26	422,278,508.24	
N UNEARNED REVENUES					
13B2.1 RELAT TO PUBLIC	-5,498,867.14	.00	1,373,620.08	1,006,781.23	
13B2.2 RELAT TO US GOV AGCY	.00	.00	.00	.00	
13B2 UNEARNED REVENUES	-5,498,867.14	.00	1,373,620.08	1,006,781.23	
REMARKS:					
7A.1 OBLIG TRANSFER ACCT	.00	.00	.00	.00	
13B2.1 UNFIL ORD-INTRAFUND	383,198,821.50	.00	61,738,339.35	27,025,139.50	
14.1 DISBURSE TRANS ACCT	.00	.00	.00	.00	
BAL AVAIL RESTORATION 1 OCT	.00	.00	.00	.00	
FISCAL YEAR TO DATE ADJUST	.00	.00	.00	.00	
BALANCE TO DATE	.00	.00	.00	.00	
NAVCOMPT FORM 2232 (5-80)	PERIOD ENDING DATE: 31 MAY 96				
APPROPRIATION TITLE 1804	OPERATION & MAINTENANCE, NAVY				PAGE 005A

Figure 4. Report on Budget Execution (DD 1176) (continued)

DD FORM 1176 88 OCT		REPORT ON BUDGET EXECUTION		
DOD COMPONENT		NAVY		PERIOD ENDING DATE: 31 MAY 96
APPROPRIATION TITLE 1804		OPERATION & MAINTENANCE - NAVY		PAGE 005B
BUDGETARY RESOURCES		17 2/4 1804	17 3 1804	17 2/5 1804
BUDGET AUTHORITY				
1A	APPROPRIATION REALIZED	.00	.00	.00
1B	OTHER NEW AUTH REALIZED	.00	.00	.00
1C	NEW TRANS CY AUTH REALZD	.00	.00	.00
1D	ANTICIPATED RESOURCES	.00	.00	.00
1	TOT BUDGET AUTHORITY	.00	.00	.00
UNOBLIGATED BALANCE				
2A	BROUGHT FORWARD OCT. 1	2,345,816.45	125,027,916.75	81,693,974.78
2B	NET TRANS OF PY BALANCES	.00	.00	.00
2C	ANTIC TRANS OF PY BAL	.00	.00	.00
2	TOT UNOBLIGATED BALANCE	2,345,816.45	125,027,916.75	81,693,974.78
REIMBURSEMENT & OTH INCOME				
3A	EARNED	.00	49,424,342.92	.00
3B	CHANGE UNFILLED CUST ORD	.00	-87,539,673.52	.00
3C	ANTIC ORDERS REST OF YR	.00	.00	.00
3	TOT REIMBURS & OTH INC	.00	-38,115,330.60	.00
4A	ACT RECOV PRIOR OBL DIR	.00	65,175,000.00	6,701,428.33
4B	ACT RECOV PRIOR OBL REIM	.00	38,115,330.60	.00
4	RECOVERIES OF PRIOR OBLIG	.00	103,290,330.60	6,701,428.33
5A		.00	.00	.00
5B	RESTOR (+)/WRITE-OFFS(-)	.00	.00	.00
5C		.00	.00	.00
5D	ENACTED RECISS OF PY AUTH	.00	.00	.00
5E	WITHHELD PENDING RESCISS	.00	.00	.00
5	TOTAL	.00	.00	.00
6	TOT BUDGETARY RESOURCES	2,345,816.45	190,202,916.75	88,395,403.11
STAT OF BUDGETARY RESOURCES				
OBLIGATIONS INCURRED				
7A	DIRECT OBLIG INCURRED	200,224.78	21,244,556.63	3.27
7B	REIMB OBLIG INCURRED	.00	.00	.00
7	TOTAL OBLIG INCURRED	200,224.78	21,244,556.63	3.27
UNOBLIGATED BALANCES AVAIL				
8A	COMMITMENTS OUTSTANDING	.00	.00	.00
8B	RES ANT RESRC-AUTO APPORT	.00	.00	.00
8C	RES OTH ANTIC RESRC	.00	.00	.00
8D	OTHER BAL CURRENTLY AVAIL	2,145,591.67	168,958,360.12	88,395,399.84
8	TOT UNOBLIG BAL AVAILABLE	2,145,591.67	168,958,360.12	88,395,399.84
UNOBLIG BALANCE NOT AVAIL				
9A	APPORT SUBSEQ PERIOD	.00	.00	.00
9B	DEFERRED	.00	.00	.00
9C	BAL SUBJ FUTURE APPORT	.00	.00	.00
9D	BALANCE EXPIRED ACCOUNTS	.00	.00	.00
9	TOT UNOBLIG BAL NOT AVAIL	.00	.00	.00
10	TOT BUDGETARY RESOURCES	2,345,816.45	190,202,916.75	88,395,403.11
RELATION OF OBLIG DISBURSE				
OBLIG BAL-NET- AS OF OCT.11				
11A	GROSS UNPAID OBLIGATIONS	10,059,643.47	570,337,931.41	46,673,260.21
11B	UNCOLLECT REIMB ORDER	.00	516,086,638.53	.00
11	TOT OBLIG BAL-NET, OCT.11	10,059,643.47	54,251,292.88	46,673,260.21
OBLIGATED BAL-TRANSFERRED				
12A	OBLIGATIONS TRANSFERRED	.00	.00	.00
12B	REIMBURSE TRANSFERRED	.00	.00	.00
12	TOT OBLIG BAL TRANSFERRED	.00	.00	.00
OBLIG BAL-NET-END OF PERIOD				
GROSS UNPAID OBLIGATIONS				
13A1	UNDELIVERED ORDERS	5,504,161.98	217,499,632.98	21,842,425.01
13A2	ACCTS PAY - ACCRD LIAB	.00	186,402,582.73	4,456,318.95
13A3	ADV-PREPAYMT-REF DUE(-)	.00 A	-5,717,345.08 A	-97,625.53
13A	TOT GROSS UNPAID OBLIG	5,504,161.98	398,184,870.63	26,401,118.43
UNCOLLECTED REIMB ORDERS				
13B1	REIMBURSABLE RECEIVABLE	.00	202,044,555.77	-18.00
13B2	UNEARNED REVENUES (-)	.00	2,380,536.93	.00
13B3	UNFILLED CUST ORDERS	.00	144,945,457.76	.00
13B	TOT UNCOLL REIMB ORDER	.00	349,370,550.46 B	-18.00
13	TOT OBL BAL-NET END PERI	5,504,161.98	48,814,320.23	26,401,136.43
OUTLAYS, CASH BASIS				
14A	DISBURSEMENT(NET REFUND)	4,755,706.27	90,107,286.75	13,570,716.72
14B	REIMBURSEMENT COLLECTED	.00	128,600,757.47	18.00
14	NET OUTLAYS-CASH BASIS	4,755,706.27	-38,493,470.72	13,570,698.72
CHANGE NET ACCTS PAYABLE				
15A	NET ACCTS PAY END PERIOD	.00	-23,739,854.99	4,558,711.42
15B	ADJUST NET ACCTS PAYABLE	.00	.00	.00
15C	NET ACCTS PAYABLE OCT. 11	6%.00	43,528,059.65	4,292,684.91
15	TOT CHANGE NET ACCTS PAY	-6%.00	-67,277,914.68	166,026.51
16	TOT ACCRUED EXPEND (NET)	4,755,010.27	-105,771,385.40	13,726,725.23
PERIOD ENDING DATE: 31 MAY 96		TYPED NAME OF AUTHORIZED OFFICER		SIGNATURE OF AUTHORIZED OFFICER
		PHYLLIS HUDSON		
		DIRECTOR, DFAS CLEVELAND		
APPROPRIATION TITLE 1804		OPERATION & MAINTENANCE - NAVY		PAGE 005B

Figure 4. Report on Budget Execution (DD 1176) (continued)

SUPPLEMENTAL SCHEDULE TO REPORT ON BUDGET EXECUTION				
DD FORM 1176	NAVY	PERIOD ENDING DATE: 31 MAY 96		
DOD COMPONENT	NAVY	PAGE 005B		
APPROPRIATION TITLE	1804 OPERATION & MAINTENANCE, NAVY			
BUDGETARY RESOURCES		17 2/4 1804	17 3 1804	17 2/3 1804
A OTHER NEW AUTHORITY REALIZED				
1B1 NEW CONTRACT AUTHORITY		.00	.00	.00
1B2 REAPPROPRIATION		.00	.00	.00
1B3 OTHER AUTHORITY		.00	.00	.00
1B TOTAL NEW AUTHORITY REALIZED		.00	.00	.00
B ANTI ORDERS REST OF YR				
3F FUND (AUTOMATIC)		.00	.00	.00
3E UNFUNDED		.00	.00	.00
3C ANTI ORD REST OF YR		.00	.00	.00
C TOT REIMB & OTHER INCOME				
3H FUNDED (AUTOMATIC)		.00	-37,834,110.24	.00
3G UNFUNDED		.00	-281,220.36	.00
3 TOT REIMB & OTH INCL		.00	-38,115,330.60	.00
D RECOV-PRIO OBL (UNEXP ACT)				
4A DIRECT		.00	65,175,000.00	6,701,428.33
4B1 FUNDED (WORK & SRV)		.00	37,834,110.24	.00
4B2 UNFUNDED		.00	281,220.36	.00
4 ACT RECOV OF PRI OBL		.00	103,290,330.60	6,701,428.33
E OBLIG INCURD (UNEXP ACCTS)				
7A DIRECT		200,224.78	21,244,556.63	3.27
7B FUNDED (WORK & SRVC)		.00	.00	.00
7C UNFUNDED		.00	.00	.00
7 OBLIG INCURRED		200,224.78	21,244,556.63	3.27
F TRAVEL & TRANSPORTATION				
7.1A TRAVL-DIRECT OBLIG		.00	-349,845.77	.00
7.1B TRAVL-REIMB OBLIG		.00	274,063.00	.00
7.2A TRANSPORT-DIR. OBL		.00	918,127.12	.00
7.2B TRANSPORT-REIM OBL		.00	-325,318.04	.00
G GROSS UNPAY OBL OCT 1				
11A1 UNDELIVERED ORDERS		10,058,947.47	243,198,364.47	42,280,575.30
11A2 ACT PAY & ACCRD LIAB		696.00	335,732,558.33	4,491,219.44
11A3 ADV PPAY/REF DUE(-)		.00	-8,552,991.39	-98,534.53
11A GROSS UNPAID OBLIG		10,059,643.47	570,337,931.41	46,673,260.21
H UNCOL REIM ORD AS OF 1 OCT				
11B1 REIMBURS RECEIVABLE		.00	280,730,058.84	.00
11B2 UNEARNED REVENUES(-)		.00	2,871,448.41	.00
11B3 UNFILLED CUST ORDER		.00	232,485,131.28	.00
11B UNCOL REIMBUR ORDER		.00	516,086,638.53	.00
I OBLIGATIONS TRANSFERRED				
12A1 UNDELIVERED ORDERS		.00	.00	.00
12A2 ACT PAY/ACCRD LIAB		.00	.00	.00
12A3 ADV PPAY/REF DUE(-)		.00	.00	.00
12A OBLIG TRANSFERRED		.00	.00	.00
J REIMBURSEMENTS TRANSFERRED				
12B1 REIMBURS RECEIVABLE		.00	.00	.00
12B2 UNEARNED REVENUES(-)		.00	.00	.00
12B3 UNFILLED CUST ORDER		.00	.00	.00
12B REIMBURS TRANSFERD		.00	.00	.00
K ACCT PAY & ACCRD LIABIL				
13A2.1 RELAT TO PUBLIC		.00	71,334,752.87	3,203,279.14
13A2.2 RELAT TO US GV AGCY		.00	115,067,823.92	1,453,039.81
13A2 ACT PAY/ACCRD LIAB		.00	186,402,582.79	4,656,318.95
L ADV. PREPAYS & REFUNDS DUE				
13A5.1 ADV/PREPAY PUBLIC		.00	-5,717,345.08	-97,625.53
13A5.2 ADV/PREPAY-US.GOV		.00	.00	.00
13A5.3 REFUNDS DUE-PUBLIC		.00	.00	.00
13A5.4 REFUNDS DUE-US.GOV		.00	.00	.00
13A5 ADV PPAY/REFUND DUE		.00	-5,717,345.08	-97,625.53
M REIMBURSEMENTS RECEIVABLE				
13B1.1 FRM THE PUBLIC		.00	8,213,362.98	.00
13B1.2 FRM US GOV. AGENCY		.00	195,831,192.79	-18.00
13B1 REIMBURS RECEIVABLE		.00	202,044,555.77	-18.00
N UNEARNED REVENUES				
13B2.1 RELAT TO PUBLIC		.00	2,380,536.93	.00
13B2.2 RELAT TO US GV AGCY		.00	.00	.00
13B2 UNEARNED REVENUES		.00	2,380,536.93	.00
REMARKS:				
7A.1 OBLIG TRANSFER ACCT		.00	.00	.00
13B2.A UNFIL ORD-INTRAFUND		.00	37,476,813.69	.00
14.1 DISBURSE TRANS ACCT		.00	.00	.00
BAL AVAIL RESTORATION 1 OCT		.00	.00	.00
FISCAL YEAR TO DATE ADJUST		.00	.00	.00
BALANCE TO DATE		.00	.00	.00
NAVCOMPT FORM 2332 (5-80)	PERIOD ENDING DATE: 31 MAY 96			
APPROPRIATION TITLE	1804 OPERATION & MAINTENANCE, NAVY			PAGE 005B

Figure 4. Report on Budget Execution (DD 1176) (continued)

NMF5		REPORT ON BUDGET EXECUTION			
DOD COMPONENT	NAVY	PERIOD ENDING DATE: 31 MAY 96			PAGE 005C
APPROPRIATION TITLE	1804	OPERATION & MAINTENANCE, NAVY			
BUDGETARY RESOURCES	17 2 1804	17 0/2 1804	17 1 1804	TOTAL	
BUDGET AUTHORITY					
1A APPROPRIATION REALIZED	.00	.00	.00	21,199,425,000.00	
1B OTHER NEW AUTH REALIZED	.00	.00	.00	.00	
1C NEW TRANS CY AUTH REALIZED	.00	.00	.00	458,585,000.00	
1D ANTICIPATED RESOURCES	.00	.00	.00	.00	
1 TOT BUDGET AUTHORITY	.00	.00	.00	21,658,010,000.00	
UNOBLIGATED BALANCE					
2A BROUGHT FORWARD OCT. 1	165,307,286.98	1,162,462.73	222,323,724.37	736,344,858.13	
2B NET TRANS OF PY BALANCES	.00	.00	.00	.00	
2C ANTIC TRANS OF PY BAL	.00	.00	.00	.00	
2 TOT UNOBLIGATED BALANCE	165,307,286.98	1,162,462.73	222,323,724.37	736,344,858.13	
REIMBURSEMENT & OTH INCOME					
3A EARNED	-57,644,151.78	.00	14,141,735.94	2,146,481,721.57	
3B CHANGE UNFILLED CUST ORD	-23,854,754.78	.00	-6,755,635.96	987,344,861.90	
3C ANTIC ORDERS REST OF YR	.00	.00	.00	.00	
3 TOT REIMBURS & OTH INC	-61,498,906.56	.00	7,386,099.98	3,133,826,583.47	
4A ACT RECOV PRIOR OBL DIR	36,412,000.00	.00	141,342,000.00	351,186,428.33	
4B ACT RECOV PRIOR OBL REIM	61,740,956.85	.00	1,457,865.47	108,378,727.18	
4 RECOVERIES OF PRIOR OBLIG	98,152,956.85	.00	142,799,865.47	459,565,155.51	
5A	.00	.00	.00	.00	
5B RESTOR (+)/WRITE-OFFS(-)	.00	.00	.00	.00	
5C	.00	.00	.00	.00	
5D ENACTED RESCISS OF PY AUTH	.00	.00	.00	-13,883,000.00	
5E WITHHELD PENDING RESCISS	.00	.00	.00	.00	
5 TOTAL	.00	.00	.00	-13,883,000.00	
6 TOT BUDGETARY RESOURCES	201,961,337.27	1,162,462.73	372,509,689.82	25,973,883,597.11	
STAT OF BUDGETARY RESOURCES					
OBLIGATIONS INCURRED					
7A DIRECT OBLIG INCURRED	620,727.45	790,184.69	10,415,038.12	15,646,537,726.14	
7B REIMB OBLIG INCURRED	242,050.29	.00	8,843,965.45	2,190,527,158.71	
7 TOTAL OBLIG INCURRED	862,777.74	790,184.69	19,259,003.57	17,837,064,884.85	
UNOBLIGATED BALANCES AVAILABLE					
8A COMMITMENTS OUTSTANDING	.00	.00	.00	.00	
8B RES ANT RESRC-AUTO APPORT	.00	.00	.00	.00	
8C RES OTH ANTIC RESRC	.00	.00	.00	.00	
8D OTHER BAL CURRENTLY AVAIL	201,098,559.53	372,278.04	353,250,486.25	5,079,713,712.26	
8 TOT UNOBLIG BAL AVAILABLE	201,098,559.53	372,278.04	353,250,486.25	5,079,713,712.26	
UNOBLIG BALANCE NOT AVAIL					
9A APPORT SUBSEQ PERIOD	.00	.00	.00	3,057,105,000.00	
9B DEFERRED	.00	.00	.00	.00	
9C BAL SUBJ FUTURE APPORT	.00	.00	.00	.00	
9D BALANCE EXPIRED ACCOUNTS	.00	.00	.00	.00	
9 TOT UNOBLIG BAL NOT AVAIL	.00	.00	.00	3,057,105,000.00	
10 TOT BUDGETARY RESOURCES	201,961,337.27	1,162,462.73	372,509,689.82	25,973,883,597.11	
RELATION OF OBLIG DISBURSE					
OBLIG BAL-NET, AS OF OCT.11					
11A GROSS UNPAID OBLIGATIONS	249,259,046.06	1,526,756.86	487,036,547.89	7,093,265,336.42	
11B UNCOLLECT REIMB ORDER	151,792,145.13	.00	190,632,373.10	3,143,857,291.27	
11 TOT OBLIG BAL-NET, OCT.11	97,466,902.93	1,526,756.86	296,404,174.79	3,949,406,045.15	
OBLIGATED BAL-TRANSFERRED					
12A OBLIGATIONS TRANSFERRED	.00	.00	.00	.00	
12B REIMBURSE TRANSFERRED	.00	.00	.00	.00	
12 TOT OBLIG BAL-TRANSFERRED	.00	.00	.00	.00	
OBLIG BAL-NET,END OF PERIOD					
GROSS UNPAID OBLIGATIONS					
13A1 UNDELIVERED ORDERS	76,470,968.24	3,306,467.97	372,762,251.74	9,291,269,333.53	
13A2 ACCTS PAY + ACCRD LIAB	82,404,745.48	10,651.00	-61,954,637.93	1,983,815,858.46	
13A3 ADV-PREPAYMT,REF DUE(-)	-48,119,145.23 A	-442.00 A	-2,234,040.31	-98,471,667.28	
13A TOT GROSS UNPAID OBLIG	110,756,568.49	3,316,676.97	308,573,573.50	11,176,613,524.71	
UNCOLLECTED REIMB ORDERS					
13B1 REIMBURSABLE RECEIVABLE	5,375,901.52	.00	129,515,262.28	1,509,618,798.78	
13B2 UNEARNED REVENUES (-)	484,239.22	.00	-82,366.48	-336,056.16	
13B3 UNFILLED CUST ORDERS	51,723,705.55	.00	42,521,251.60	2,411,265,000.74	
13B TOT UNCOLL REIMB ORDER	57,583,846.29	.00	171,754,147.40	3,920,547,743.36	
13 TOT OBL BAL-NET END PERI	53,172,722.20	3,316,676.97	136,819,426.10	7,256,065,781.35	
OUTLAYS, CASH BASIS					
14A DISBURSEMENT (NET REFUNDS)	41,212,298.46	-999,735.42	54,922,112.49	13,294,149,539.05	
14B REIMBURSEMENT COLLECTED	32,709,590.28	.00	26,264,325.48	2,357,136,131.38	
14 NET OUTLAYS-CASH BASIS	8,502,908.18	-999,735.42	28,657,786.81	10,937,013,407.67	
CHANGE NET ACCTS PAYABLE					
15A NET ACCTS PAY END PERIOD	28,425,459.51	10,209.00	-193,421,574.04	376,061,448.56	
15B ADJUST NET ACCTS PAYABLE	.00	.00	.00	.00	
15C NET ACCTS PAYABLE OCT. 11	1,171,896.68	-442.00	-98,750,499.62	418,203,447.42	
15 TOT CHANGE NET ACCTS PAY	27,253,546.83	10,651.00	-94,671,074.62	-42,241,998.87	
16 TOT ACCRUED EXPEND (NET)	35,756,471.01	-989,084.42	-66,013,287.61	10,894,771,408.80	
PERIOD ENDING DATE: 31 MAY 96	TYPED NAME OF AUTHORIZED OFFICER			SIGNATURE OF AUTHORIZED OFFICER	
DD FORM 1176 88 OCT	PHYLLIS HUDSON DIRECTOR, DFAS CLEVELAND				
APPROPRIATION TITLE 1804	OPERATION & MAINTENANCE, NAVY			PAGE 005C	

Figure 4. Report on Budget Execution (DD 1176) (continued)

NHS		SUPPLEMENTAL SCHEDULE TO REPORT ON BUDGET EXECUTION			
DOD COMPONENT		NAVY		PERIOD ENDING DATE: 31 MAY 96	
APPROPRIATION TITLE 1804		OPERATION & MAINTENANCE, NAVY		PAGE 005C	
BUDGETARY RESOURCES		17 2 1804	17 0/2 1804	17 1 1804	TOTAL
A OTHER NEW AUTHORITY REALIZED					
1B1 NEW CONTRACT AUTHORITY		.00	.00	.00	.00
1B2 REAPPROPRIATION		.00	.00	.00	.00
1B3 OTHER AUTHORITY		.00	.00	.00	.00
1B TOTAL NEW AUTH REAL		.00	.00	.00	.00
B ANTI ORDERS REST OF YR					
5F FUND (AUTOMATIC)		.00	.00	.00	.00
5E UNFUNDED		.00	.00	.00	.00
5C ANTI ORD REST OF YR		.00	.00	.00	.00
C TOT REIMB & OTHER INCOME					
5H FUNDED (AUTOMATIC)		-61,740,956.85	.00	8,843,965.45	3,026,198,498.93
5G UNFUNDED		242,050.29	.00	-1,457,865.47	107,629,884.54
5 TOT REIMB & OTH INC		-61,498,906.56	.00	7,386,099.98	3,133,826,583.47
D RECOV-PRI OBL (UNEXP ACT)					
4A DIRECT		56,412,000.00	.00	141,342,000.00	351,186,428.33
4B1 FUNDED(WORK & SRVE)		61,740,956.85	.00	.00	106,639,441.35
4B2 UNFUNDED		.00	.00	1,457,865.47	1,739,085.83
4 ACT RECOV OF PRI OBL		98,152,956.85	.00	142,799,865.47	459,565,155.51
E OBLIG INCURD (UNEXP ACCTS)					
7A DIRECT		620,727.45	790,184.69	10,415,038.12	15,646,537,726.14
7B FUNDED(WORK & SRVC)		.00	.00	8,843,965.45	2,081,160,188.34
7C UNFUNDED		242,050.29	.00	.00	109,366,970.37
7 OBLIG INCURRED		862,777.74	790,184.69	19,259,003.57	17,837,664,884.85
F TRAVEL & TRANSPORTATION					
7.1A TRAVL-DIRECT OBLIG		961,898.43	.00	8,000,366.89	257,472,104.55
7.1B TRAVL-REIMB OBLIG		-510,252.14	.00	-117,759.25	36,686,858.54
7.2A TRANSPORT-DIR. OBL		770,586.15	.00	3,216,021.01	58,560,269.97
7.2B TRANSPORT-REIM OBL		-644.45	.00	1,109.66	3,155,562.72
G GROSS UNPAY OBL OCT 1					
11A1 UNDELIVERED ORDERS		171,873,466.58	1,527,198.86	444,431,561.97	4,975,022,734.56
11A2 ACT PAY & ACCRD LIAB		126,746,674.72	.00	46,458,433.75	2,226,629,521.65
11A3 ADV PPAY/REF DUE(-)		-49,361,095.24	-442.00	-3,853,447.82	-108,388,921.79
11A GROSS UNPAID OBLIG		249,259,046.06	1,526,756.86	487,036,547.89	7,093,263,334.42
H UNCOL REIM ORD AS OF 1 OCT					
11B1 REIMBURS RECEIVABLE		75,760,728.47	.00	141,384,619.23	1,694,330,456.10
11B2 UNEARNED REVENUES(-)		452,954.33	.00	-29,133.69	5,606,696.33
11B3 UNFILED CUST ORDER		75,578,460.33	.00	49,276,887.56	1,462,920,138.84
11B UNCOL REIMBUR ORDER		151,792,143.13	.00	190,632,372.10	3,143,857,291.27
I OBLIGATIONS TRANSFERRED					
12A1 UNDELIVERED ORDERS		.00	.00	.00	.00
12A2 ACT PAY/ACCRD LIAB		.00	.00	.00	.00
12A3 ADV PPAY/REF DUE(-)		.00	.00	.00	.00
12A OBLIG TRANSFERRED		.00	.00	.00	.00
J REIMBURSEMENTS TRANSFERRED					
12B1 REIMBURS RECEIVABLE		.00	.00	.00	.00
12B2 UNEARNED REVENUES(-)		.00	.00	.00	.00
12B3 UNFILED CUST ORDER		.00	.00	.00	.00
12B REIMBURS TRANSFERD		.00	.00	.00	.00
K ACT PAY & ACCRD LIAB					
13A2.1 RELAT TO PUBLIC		122,880,444.74	10,651.00	65,034,067.03	987,207,623.68
13A2.2 RELAT TO US GOV AGCY		-40,475,699.26	.00	-126,988,704.96	996,608,234.78
13A2 ACT PAY/ACCRD LIAB		82,404,745.48	10,651.00	-61,954,637.93	1,983,815,858.44
L ADV. PREPAYS & REFUNDS DUE					
13A3.1 ADV/PREPAY PUBLIC		-3,119,145.23	-442.00	-2,236,040.31	-53,471,667.28
13A3.2 ADV/PREPAY-US GOV		-45,000,000.00	.00	.00	-45,000,000.00
13A3.3 REFUNDS DUE-PUBLIC		.00	.00	.00	.00
13A3.4 REFUNDS DUE-US GOV		.00	.00	.00	.00
13A3 ADV PPAY/REFUND DUE		-48,119,145.23	-442.00	-2,236,040.31	-98,471,667.28
M REIMBURSEMENTS RECEIVABLE					
13B1.1 FRM THE PUBLIC		610,084.99	.00	3,816,360.31	60,257,002.69
13B1.2 FRM US GOV. AGENCY		4,765,816.53	.00	125,498,901.97	1,449,361,796.09
13B1 REIMBURS RECEIVABLE		5,375,901.52	.00	129,315,262.28	1,509,618,798.78
N UNEARNED REVENUES					
13B2.1 RELAT TO PUBLIC		484,239.22	.00	-82,366.48	-336,056.16
13B2.2 RELAT TO US GOV AGCY		.00	.00	.00	.00
13B2 UNEARNED REVENUES		484,239.22	.00	-82,366.48	-336,056.16
REMARKS:					
7A.1 OBLIG TRANSFER ACCT		.00	.00	.00	.00
12B3.A UNFIL ORD-INTRAFUND		27,822,323.08	.00	-60,668,939.89	486,592,497.23
14.1 DISBURSE TRANS ACCT		.00	.00	.00	.00
BAL AVAIL RESTORATION 1 OCT		.00	.00	.00	.00
FISCAL YEAR TO DATE ADJUST		.00	.00	.00	.00
BALANCE TO DATE		.00	.00	.00	.00
NAVCOMP FORM 2232 (5-80) PERIOD ENDING DATE: 31 MAY 96					
APPROPRIATION TITLE 1804		OPERATION & MAINTENANCE, NAVY		PAGE 005C	

Figure 4. Report on Budget Execution (DD 1176) (continued)

SF-133: REPORT ON BUDGET EXECUTION

AGENCY		APPROPRIATION OR FUND TITLE AND SYMBOL						
BUREAU								
DESCRIPTION	Unexp Acct.	Exp. Acct.	Exp. Acct.	Exp. Acct.	Exp. Acct.	Exp. Acct.	Total	
BUDGETARY RESOURCES								
1. Budget authority:								
A. Appropriations								
B. Borrowing authority								
C. Contract authority								
D. Net transfers, current year authority (+ or -)								
E. Other								
2. Unobligated balance:								
A. Brought forward October 1								
B. Net transfers prior year balance, actual (+ or -)								
C. Anticipated transfers prior year balance (+ or -)								
3. Spending authority from offsetting collections (Gross):								
A. Earned:								
1. Collected								
2. Receivable from federal sources								
B. Change in unfilled customer orders (+ or -):								
1. Advance received								
2. Without advance from federal sources								
C. Anticipated for rest of year:								
1. Advance for anticipated orders								
2. Without advance								
D. Transfers from trust funds:								
1. Collected								
2. Anticipated								
4. Recoveries of prior year obligations:								
A. Actual								
B. Anticipated								
5. Temporarily not available pursuant to P.L. ____ (-)								
6. Permanently not available:								
A. Cancellations of expired and no-year accounts (-)								
B. Enacted rescissions of prior year balances (-)								
C. Capital transfers and redemption of debt (-)								
D. Other authority withdrawn (-)								
E. Pursuant to P.L. ____ (-)								
F. Anticipated for rest of year (+ or -)								
7. TOTAL BUDGETARY RESOURCES								
STATUS OF BUDGETARY RESOURCES								
8. Obligations incurred:								
A. Category A, direct obligations								
B. Category B, direct obligations:								
1. Subcategory 1								
2. Subcategory 2								
3. Subcategory 3								
C. Not subject to apportionment								
D. Reimbursable obligations								
9. Unobligated balance								
A. Apportioned:								
1. Balance currently available								
2. Anticipated								
B. Exempt from apportionment								
C. Other available								
10. Unobligated balance not available:								
A. Apportioned for subsequent periods								
B. Deferred								
C. Withheld pending rescission								
D. Other								
11. TOTAL BUDGETARY RESOURCES								

Figure 4. Report on Budget Execution (SF 133)

SF-133: REPORT ON BUDGET EXECUTION

AGENCY	APPROPRIATION OR FUND TITLE AND SYMBOL						
BUREAU							
DESCRIPTION	Unexp Acct.	Exp. Acct.	Exp. Acct.	Exp. Acct.	Exp. Acct.	Canc. Acct.	Total
RELATION OF OBLIGATIONS TO OUTLAYS 12. Obligated balance, net as of October 1 13. Obligated balance transferred, net (+ or -) 14. Obligated balance, net, end of period: A. Accounts receivable (-) B. Unfilled customer orders (-): 1. Federal sources without advance 2. Federal sources with advance 3. Non-federal sources with advance C. Undelivered orders (+) D. Accounts payable (+) 15. Outlays: A. Disbursements (+) B. Collections (-)							

(Authorized Officer)

(Date)

(Preparer: Name) _____

(Address) _____

(Phone number) _____

Figure 4. Report on Budget Execution (SF 133) (continued)

DD COMPONENT:
DEPARTMENT OF THE NAVY
APPROPRIATION TITLE AND SYMBOL:
OPERATION & MAINTENANCE, NAVY
17 6 1804

APPROPRIATION STATUS BY
FISCAL YEAR PROGRAM AND SUBACCOUNTS
(IN THOUSANDS OF DOLLARS)

REPORTS CONTROL SYMBOL:
DD FORM COMP(M)1002
PERIOD ENDING:
31 MAY 1996

FISCAL YEAR PROGRAM BY BUDGET ACTIVITY AND LINE ITEM	PROG DIST OF TOTAL AMT AVAIL FOR OBLIG		APPORTNED OR AVAIL TO END OF CURRENT QUARTER	OBLIG TRANSACTION CURRENT FY	GROSS UNPAID OBLIG BROUGHT FWD/TRANS	GROSS DISBURS CURRENT FY	GROSS UNPAID OBLIG END OF PERIOD COL E+F-G	TOTAL UNOBLIG BALANCE COL C-E	COMMIT- MENTS OUTSTAND- ING
	FROM INCEPTION	IN CURR FY							
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
DIRECT PROGRAM									
BA 01 OPERATING FORCES									
AIR OPERATIONS 21011A00		4218125	3651182	3095113		1605628	1489485	1123012	
SHIP OPERATIONS 21011B00		7837511	5904093	5099444		2979041	2120403	2738067	
COMBAT OPERATIONS/SUPPORT 21011C00		1682386	1500086	1227471		559673	667798	454915	
WEAPONS SUPPORT 21011D00		1263181	1244411	1178284		577964	600320	84897	
SUBTOTAL BA 01		15001203	12299772	10600312		5722305	4878007	4400891	
BA 02 MOBILIZATION									
READY RESERVE & PREPOS FORCES 21022A00		458204	386000	381989		32527	349462	76215	
ACTIVATIONS/INACTIVATIONS 21022B00		356669	356669	347216		106008	241208	9453	
MOBILIZATION PREPAREDNESS 21022C00		33257	33035	27764		3956	23808	5493	
SUBTOTAL BA 02		848130	775704	756969		142491	614478	91161	
BA 03 TRAINING AND RECRUITING									
ACCESSION TRAINING 21033A00		247946	190858	163320		105780	57539	84626	
BASIC SKILLS AND ADV TRAINING 21033B00		1095306	933771	821002		517000	304002	274304	
RECRUITING & OTH ADVERT & EDUC 21033C00		227745	189750	175846		102725	73121	51899	
SUBTOTAL BA 03		1570997	1314379	1160167		725505	434662	410830	

Figure 5. Appropriation Status Report (DD 1002)

DOD COMPONENT:
DEPARTMENT OF THE NAVY
APPROPRIATION TITLE AND SYMBOL:
OPERATION & MAINTENANCE, NAVY
17 6 1804

APPROPRIATION STATUS BY
FISCAL YEAR PROGRAM AND SUBACCOUNTS
(IN THOUSANDS OF DOLLARS)

REPORTS CONTROL SYMBOL:
DD FORM COMP(M)1002
PERIOD ENDING:
31 MAY 1996

FISCAL YEAR PROGRAM BY BUDGET ACTIVITY AND LINE ITEM		PROG DIST OF TOTAL AMT AVAIL FOR OBLIG		APPORTNED OR AVAIL TO END OF CURRENT QUARTER	OBLIG TRANSACTION CURRENT FY	GROSS UNPAID OBLIG BROUGHT FWD/TRANS	GROSS DISBURS CURRENT FY	GROSS UNPAID OBLIG END OF PERIOD COL E+F-G	TOTAL UNOBLIG BALANCE COL C-E	COMMIT- MENTS OUTSTAND- ING
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
BA 04 ADMIN & SERVICEWIDE ACTIVITIES										
SERVICEWIDE SUPPORT	21044A00		1676719	1460896	1256539		457348	799191	420180	
LOGISTICS OPER & TECH SUPPORT	21044B00		1629049	1455030	1193483		620959	572523	435566	
INVESTIGATIONS & SECURITY PGMS	21044C00		550603	439010	393897		227064	166832	156706	
SUPPORT OF OTHER NATIONS	21044D00		8659	7704	6575		1427	5148	2084	
CANCELLED ACCOUNT PAYMENTS	21044E00		4547	4373	2893		1395	1499	1654	
SUBTOTAL BA 04			3869577	3367013	2853387		1308193	1545193	1016190	
BA 05 PROB DISBURSE > 180 DAYS										
PROB DISBURSE > 180 DAYS	21055Z00		211300	211300	211300		211302 A	-2		
SUBTOTAL BA 05			211300	211300	211300		211302	-2		
SUBTOTAL DIRECT PROGRAM			21501207	17968168	15582135		8109797	7472339	5919072	
AUTOMATIC REIMBURSABLE PROGRAM										
AUTOMATIC REIMBURSABLE PROGRAM	99A00000		2049555	2049555	2049555		1468207	581348		
TOTAL AUTO REIMBURSABLE PROGRAM			2049555	2049555	2049555		1468207	581348		
UNFUNDED REIMBURSABLE PROGRAM										
UNFUNDED REIMBURSABLE PROGRAM	99U00000		99052	99052	99052		99043	9		
TOTAL UNFUNDED REIMBURSABLE PROGRAM			99052	99052	99052		99043	9		

Figure 5. Appropriation Status Report (DD 1002) (continued)

D.D. COMPONENT:
 DEPARTMENT OF THE NAVY
 APPROPRIATION TITLE AND SYMBOL:
 OPERATION & MAINTENANCE, NAVY
 17 6 1804

APPROPRIATION STATUS BY
 FISCAL YEAR PROGRAM AND SUBACCOUNTS
 (IN THOUSANDS OF DOLLARS)

REPORTS CONTROL SYMBOL
 DD FORM COMP(M)1002
 PERIOD ENDING:
 31 MAY 1991

FISCAL YEAR PROGRAM BY BUDGET ACTIVITY AND LINE ITEM		PROG DIST OF TOTAL AMT AVAIL FOR OBLIG	APPORTNED OR AVAIL TO END OF CURRENT QUARTER	OBLIG TRANSACTION CURRENT FY	GROSS UNPAID OBLIG BROUGHT FWD/TRANS	GROSS DISBURS CURRENT FY	GROSS UNPAID OBLIG END OF PERIOD COL E+F-G	TOTAL UNOBLIG BALANCE COL C-E	COMMIT- MENTS OUTSTAND- ING
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
UNDISTRIBUTED BALANCE	99S04500		1194598	1670532					1194598
TOTAL DIRECT PROGRAM			22695805	19638700	15582135		8109797	7472339	7113670
TOTAL REIMBURSABLE PROGRAM			2148608	2148608	2148608		1567250	581357	
UNDISTRIBUTED DISBURSEMENTS	99999999						1112596	-1112596	
GRAND TOTAL 96/ O&MN			24844413	21787308	17730743		10789642	6941100	7113670
*****		*****	*****	*****	*****	*****	*****	*****	*****
** MEMOS **									
MAINTENANCE OF REAL PROPERTY	99M01000						436047	-436047	

** FOOTNOTES **
 A/ BEING INVESTIGATED

Figure 5. Appropriation Status Report (DD 1002) (continued)

APPENDIX C. PAST NAVY BUDGETARY FINANCIAL ACCOUNTING SYSTEMS

This appendix is provided to support the conclusion that past accounting systems in the Navy were too numerous and too complex. The flow charts provided will show, in an aggregated manner, the complexity of prior and existing accounting systems (Gardner, 1996). The flow charts are a modification of flowcharts provided by the ASN (FM&C); as provided to them by the GAO.

The figures will be provided in the following order:

- ◆ Figure 1 Fleet level financial reporting system.
- ◆ Figure 2 Shore financial reporting.
- ◆ Figure 3 Procurement and major Washington, DC financial reporting.

The examples provided involve current, past, and projected accounting systems. Appendix D is a comprehensive list of all the accounting systems used in Figures 1 - 3. The objective of this appendix is not to explain current, past or projected accounting systems but to provide the reader with an illustration so that the efficiency of the current and proposed accounting systems can be emphasized.

Appendix C

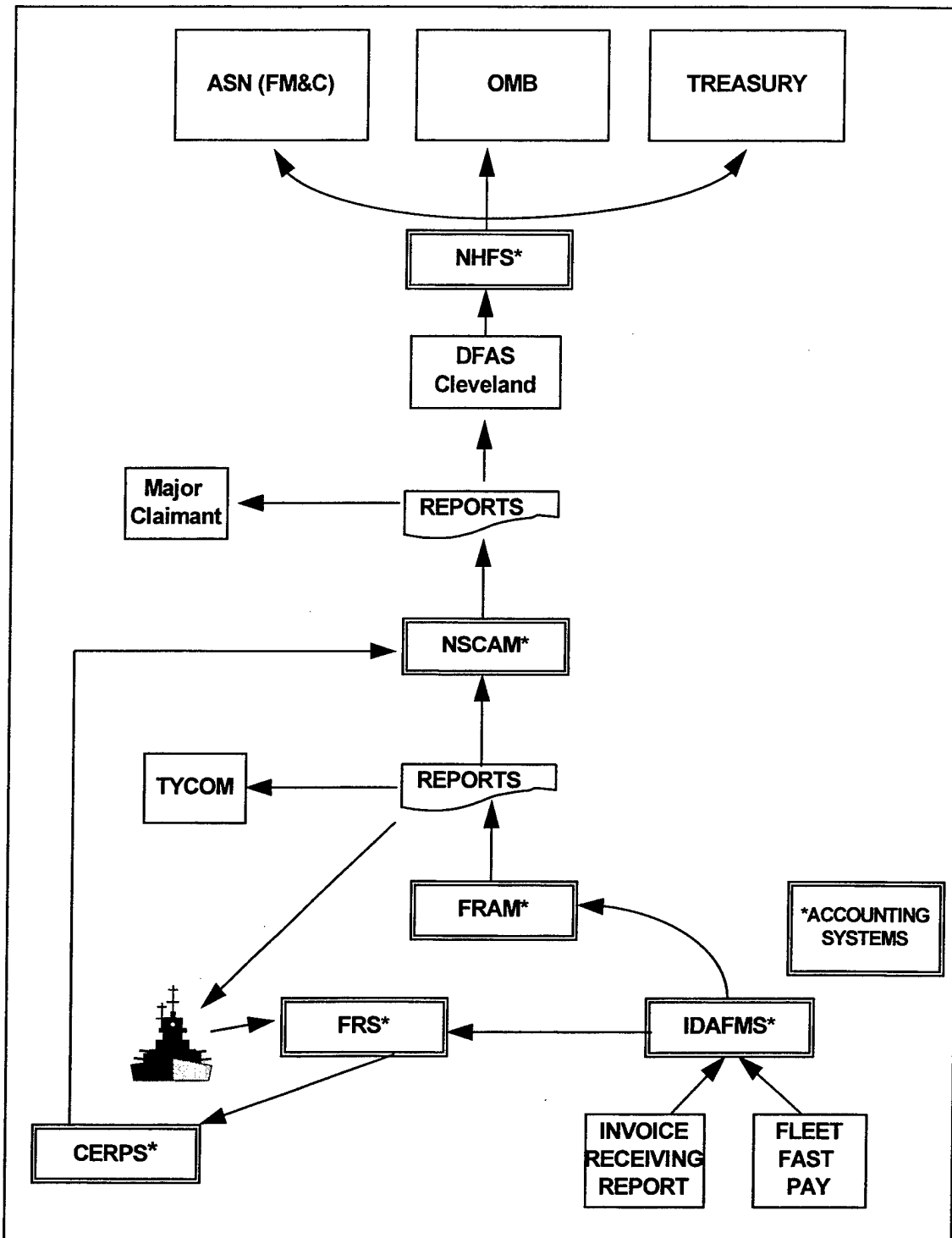


Figure 1 - Fleet Level Financial Reporting System

Appendix C

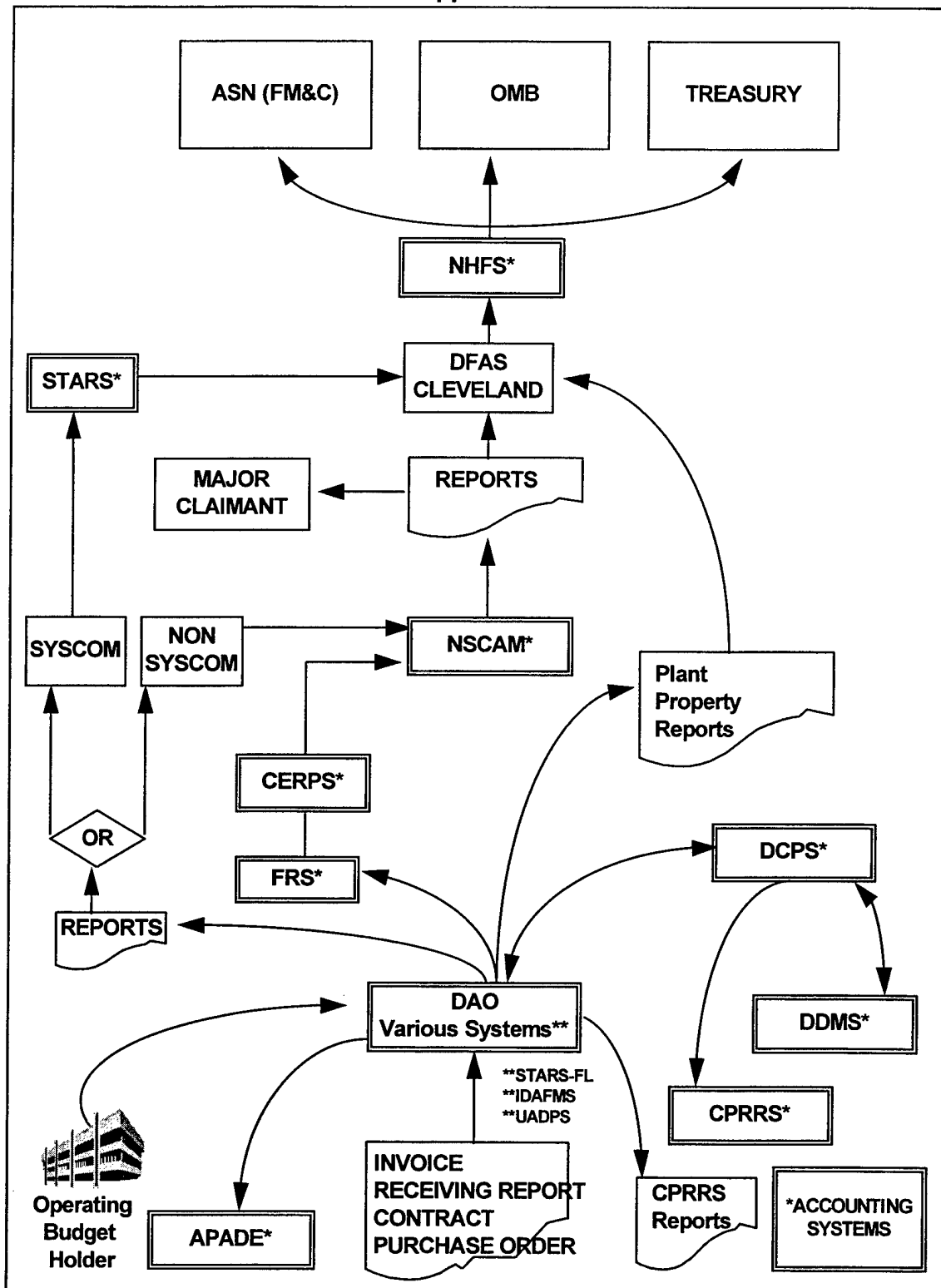


Figure 2 - Ashore Financial Reporting

Appendix C

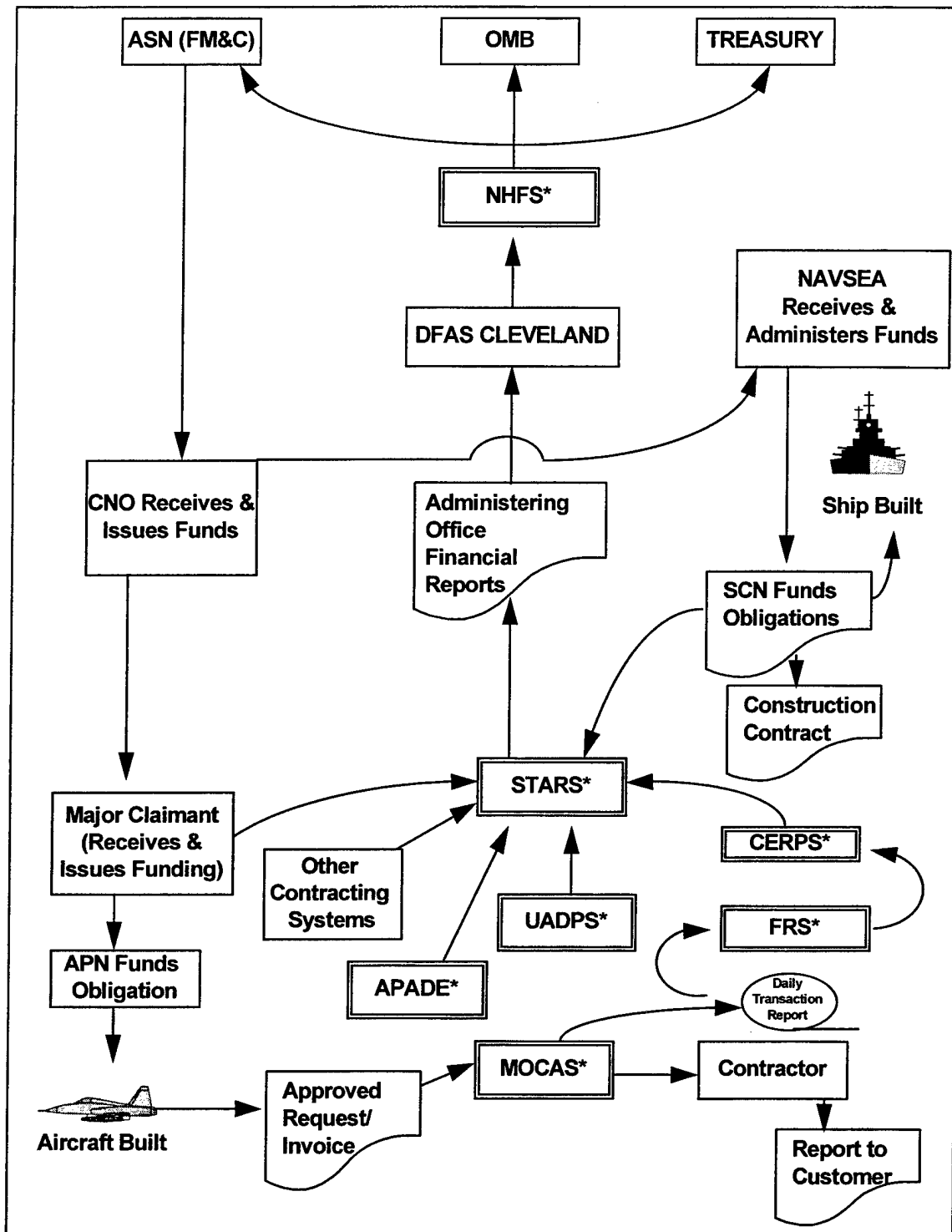


Figure 3 - Procurement and Major Washington DC Financial Reporting Example

APPENDIX D. NAVY ACCOUNTING SYSTEMS

The objective of this appendix is to provide a list of accounting systems used in past, current and projected Navy budgetary reporting. Chapter IV discussed the accounting systems that are currently being used and those systems that are planned to be used in future Navy budgetary financial reporting.

There have been numerous accounting systems utilized in the past throughout the Navy. The attached listing is a shortened tally and does not include all of the accounting systems utilized in the Navy, only the more common systems.

In 1992, the Navy was using approximately 49 accounting systems. Currently, roughly 37 different accounting systems are in use throughout the Navy (Hudson, 1996). The ultimate goal of the Defense Finance and Accounting Service, Cleveland office is to use two accounting systems in general fund accounting in the Navy; the Standard Accounting and Reporting System (STARS) and the Naval Headquarters Financial System (NHFS) (Hudson, 1996).

By incorporating the information in this appendix with the information in Chapter IV, the reader will be able to see the Navy's progression towards a more streamlined accounting process.

Appendix D

<u>Acronym</u>	<u>Name</u>
ADS	Automated Data System
AMALGAMAN	Amalgamated Data Management System
APADE	Automated Procurement and Accounting Data Entry
CDB	Centralized Data Base
CERPS	Centralized Expenditure Reporting Processing System
CPRRS	Civilian Personnel Resource Reporting System
CSRS	Civil Service Retirement System
DAASO	Defense Automatic Address System Office
DCPS	Defense Civilian Payroll System
DJMPs	Defense Joint Military Pay System
DPS-COTS	Defense Payment System-Commercial Off The Shelf
DRAS	Defense Retiree and Annuitant Pay System
DTPS	Defense Travel Pay System
DTPS	Defense Transportation Payment System
FERS	Federal Employees Retirement System
FINMIS	Financial Management Information System
FIPS	Financial Information Processing System
FMIS	Financial Management Information System
FRAM	Financial Reporting Accounting Module
FRS	Financial Reporting system
FWS	Federal Wage System
IDA	Integrated Disbursing and Accounting System
IDAFIPS	Integrated Disbursing & Accounting Financial Information Processing System
IDARMS	Integrated Disbursing and Accounting Resource Management System
IFAS	Integrated Financial Accounting System
LAS	Ledger Accounting System
MFCS	Material Financial Control System
NCIS	Navy Cost Information System
NCPDS	Navy Civilian Personnel Data System
NHFS*	Naval Headquarters Financial System
NIFMS	Navy Industrial Fund Management System
NIFRS	Navy Industrial Fund Reporting System
NSCAM	Navy Standard Claimant Accounting Module
NSCPS	Navy Standard Civilian Payroll System
PBAPRS	Program/Budget/Accounting and Progress Reporting System
PMRS	Performance Management and Recognition System
PWC-COTS	Public Works Center-Commercial Off The Shelf
RIMARS	Requisition Information Management Analysis and Reporting System
RMS	Resource Management System
SPAR	Stockpoint ADP Replacement System
STARS*	Standard Accounting & Reporting System
UADPS	Uniform Automated Data Processing System

*Projected Future Accounting Systems

Past and Projected Navy Accounting Systems

APPENDIX E. DEFENSE BUSINESS OPERATIONS FUND

A. INTRODUCTION

The objective of this appendix is to provide an overview of financial accounting and reporting for Navy Defense Business Operations Fund (DBOF) activities. Navy DBOF activity financial reporting is more similar to private sector financial reporting than Navy general ledger financial reporting. However, unlike the private sector commercial organizations, the DBOF activity's objective is to break even. This overview will provide enough information to allow the reader to compare DBOF and Navy budgetary financial reporting.

The three primary funds in the Navy are: appropriated, non-appropriated, and revolving. A major difference between the three is the source of their funding. This thesis discussed appropriated funds and budgetary financial reporting in the Navy; funds that the Treasury accounts for. Non-appropriated funds are generated from the profits of the Navy Exchange and Morale, Welfare and Recreation (MWR) activities; consequently, unlike appropriated funds, their funds are not fiscally accounted for in the Treasury. The best known examples of MWR activities in the Navy are Navy golf courses, swimming pools and bowling alleys. The third primary fund in the Navy is revolving funds; which involve inter-government transfers, or reimbursables. Since Congress appropriates funds, and the inter-government transfers involve appropriated dollars, the Treasury must account for the funding. Although reimbursables exist in both appropriated

and revolving fund structures, they are best known and more utilized in the revolving fund. This appendix discusses the best known revolving fund in the Navy; the DBOF. The discussion of the DBOF will allow the reader to compare the two primary Navy funds that Treasury accounts for.

This appendix is broken down into three sections. The first part of the appendix will provide a background on DBOF funds and show how the activities are "self-sustaining." The second part of this appendix will discuss the financial reports generated by DBOF activities. This appendix will conclude with a discussion on the accounting systems used in DBOF financial operations. The complete appendix will provide the reader with enough information to compare appropriation and DBOF financial reporting, and the accounting systems that support both.

B. DEFENSE BUSINESS OPERATIONS FUND (DBOF) BACKGROUND

The Defense Business Operations Fund was established on October 1, 1991 (fiscal year 1992), by the Department of Defense (DOD) to expand the use of businesslike financial management practices throughout the DOD (PCC, 1996). The DBOF is the closest representation of a private sector organization found in the military. Although the DBOF is not normally considered in budgetary financial reporting, it is provided in this appendix as an example of how appropriated funds are expended to other government entities. The DBOF revolving fund is illustrated in Figure 1.

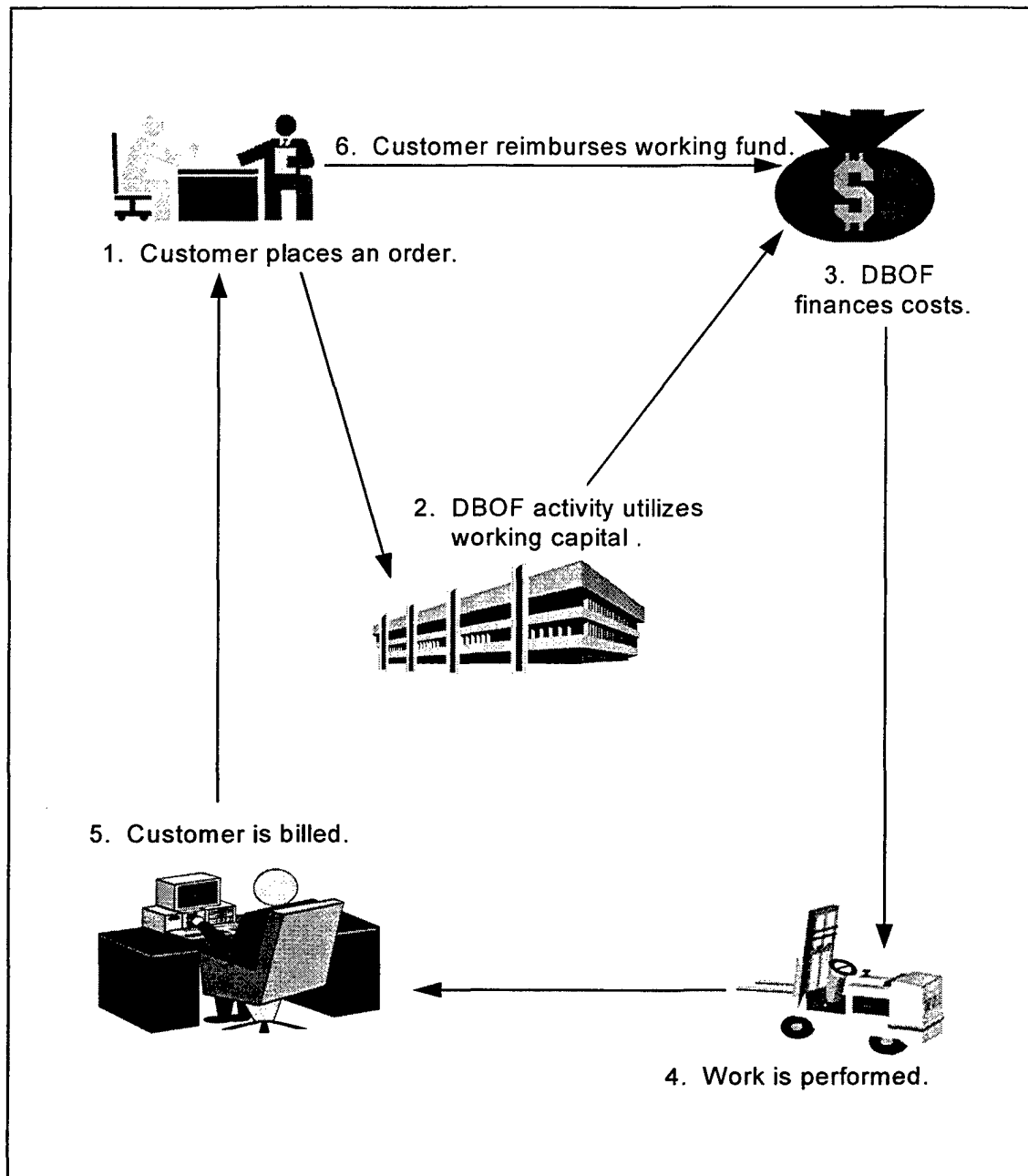


Figure 1. The DBOF Revolving Fund

The DBOF, based on a principle of revolving funds, has an overall objective of breaking even. The DBOF is not a tangible organization, just a theoretical financial mechanism. The DBOF does not receive an annual

appropriation, however, when the DBOF was first established, Congress appropriated the first pot of "working capital" so that it could sustain enough cash until reimbursed by customers. Once the business is generated and funds have been reimbursed, the DBOF is self-sufficient; all its income is derived from operations and it is able to finance continuing operations without fiscal year limitation. The best example of a DBOF activity utilized at the fleet level is a Naval shipyard and for a shore activity, the Navy supply system. Since the principle of reimbursement is the same for both, this appendix will only discuss one; the fleet unit receiving services from a Naval shipyard. The first step in the process of fund reimbursement is for the Type Commander (TYCOM) of a ship to solicit prices from shipyards for work. Once a customer finds an activity to perform a service and the prices are known, an order is placed with the DBOF activity; in our case, with the shipyard. When a ship pulls into a shipyard for the scheduled work, the shipyard (DBOF activity) will finance the cost of the work performed on the ship with its own working capital. After the work is complete and the customer is satisfied with the work, the shipyard will bill the customer. In our case, the TYCOM will be billed for the work performed on the ship. The TYCOM will use its own funds to reimburse the working capital of the DBOF activity which, in turn, is ready to fund work for the next customer. Another of the operating policies of a DBOF activity is full cost recovery. If the DBOF activity has operated efficiently, it will be able to recover all costs associated with the work performed and not overcharge the customer.

If the established prices are too high and customers are charged too much throughout the year, at the end of the year, the DBOF activity will have a surplus. This surplus will be considered profit. As mentioned earlier, the objective of the DBOF activity is not to make any profit. If the activity earns a profit, the next year's price will be lowered to compensate for the surplus of funds in the working capital. If the activity is in the "red" for a given year, the opposite will be true; the next year's price will be increased to adjust for the shortage of funds in the working capital. Again, their financial objective is to break even. Although DBOF activities are self sufficient, they do not come without controversy.

The controversy lies in the DBOF's objective of full cost recovery. Consequently, the DBOF activities charge their customers for military labor, depreciation, and overhead; unlike services received from other government appropriated activities, where total costs are not always reflected in their prices. Additionally, hidden costs such as payroll services, comptroller, ADP support, safety/security, special projects, vehicle purchases, etc...are included in the price of a DBOF activity; much to the chagrin of the paying customer. Simply put, DBOF is "Total Cost Visibility." As mentioned earlier, the DBOF or revolving fund structure is the most similar of the three government fund structures to the private sector. Figure 2 provides a quick and simple comparison.

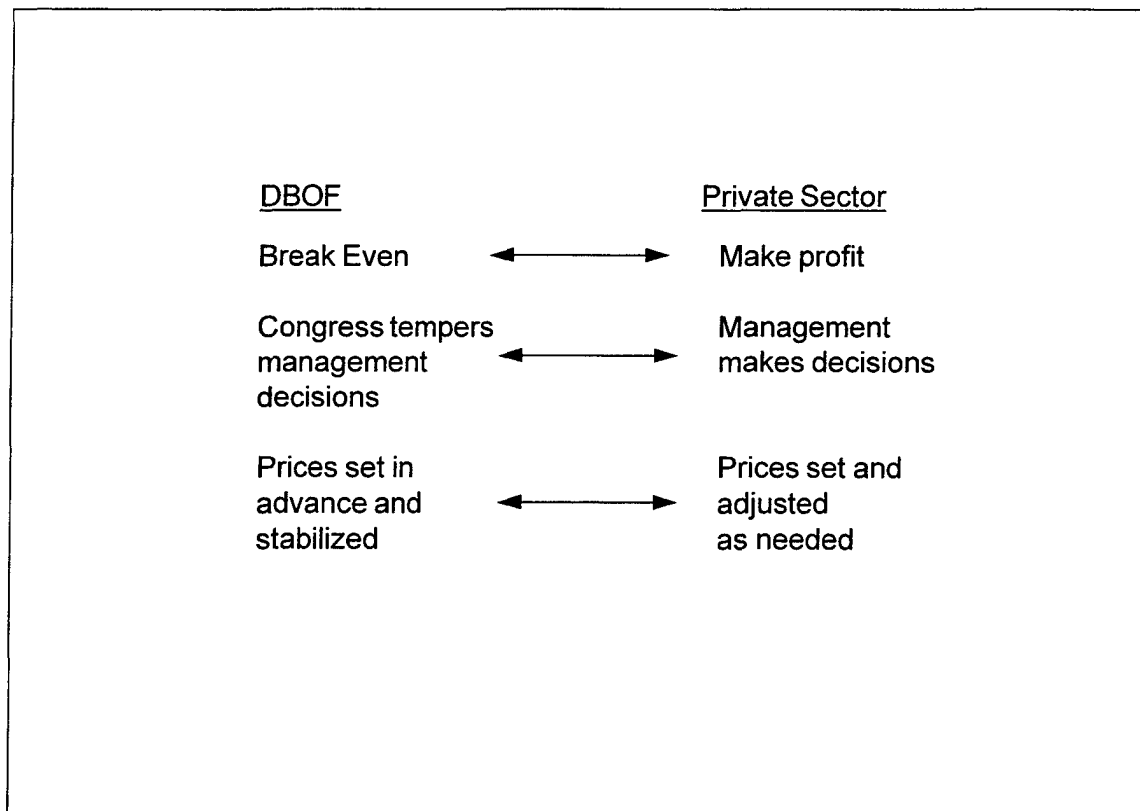


Figure 2. DBOF vs Private Sector

C. FINANCIAL REPORTS GENERATED BY DBOF ACTIVITIES

Unlike General Ledger Accounting, the Defense Business Operations Fund (DBOF) activities generate balance sheets, statement of revenue and costs, and statements of cash flow reports. Consequently, financial reporting in the DBOF arena is very comparable to the private sector. The two primary reports utilized throughout the DBOF environment are the balance sheet and statement of revenue and costs.

This section of the appendix is broken down into three sections. Initially, the primary reports generated will be discussed; first, the balance sheet, followed

by the statement of revenue and costs. The third segment of this section will summarize the financial reports utilized by the DBOF activities.

1. DBOF Activity Balance Sheet

Each DBOF activity generates a balance sheet; which is identical, in format, to the private sector report. The balance sheet generated by a DBOF activity will have the same primary segments as the private sector balance sheet:

$$\text{Assets} = \text{Liabilities} + \text{Capital (Owner's Equity)}$$

Assets, in the DBOF arena, are normally represented by cash, accounts receivable, work-in-process, material inventory, prepaid expenses, and equipment and land. Liabilities are usually represented with accounts payable, accrued expenses, and advances from customers. Capital, or owner's equity, is represented with donated assets, reserves, and accumulated operating results.

An example of a balance sheet utilized in the DBOF arena is provided in Figure 3.

2. DBOF Statement of Revenue and Costs

The DBOF statement of revenue and costs is very similar to the private sector Income Statement. The private sector income statement equation is:

$$\text{Revenue} - \text{Expenses} = \text{Income}$$

The Navy's DBOF statement of revenue and costs equation is:

$$\begin{aligned} &\text{Revenue-Costs} = \\ &\text{Total Costs Incurred for Period +/-} \\ &\text{Adjustment to Costs} = \\ &\text{Net Operating Results} \end{aligned}$$

<p style="text-align: center;"><u>ASSETS</u></p> <p>Cash</p> <p>Accounts Receivable</p> <p>Work-in-Process</p> <p>Material Inventory</p> <p>Prepaid Expenses</p> <p>Equipment and Land</p>	<p style="text-align: center;"><u>LIABILITIES</u></p> <p>Accounts Payable</p> <p>Accrued Expenses</p> <p>Advances from Customers</p> <hr/> <p style="text-align: center;"><u>CAPITAL</u></p> <p>Donated Assets</p> <p>Reserves</p> <p>Accumulated Operating Results</p>
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Figure 3. Simplified Balance Sheet for DBOF Activities

Revenue is usually in the form of reimbursables and is described and totaled by type. Costs are usually provided in the form of direct costs, production expense, and G&A expenses. Figure 4 is an example of a statement revenue and costs for a DBOF activity.

REVENUE

Described and totaled by type.

COSTS

Direct Costs

Production Expense

G&A Expense

(Each type cost detailed by: labor, materials, other contractual services, depreciation expenses, and transfers.)

TOTAL COSTS INCURRED FOR PERIOD

ADJUSTMENTS TO COSTS (detailed)

NET OPERATING RESULTS

Figure 4. Statement of Revenue and Costs

3. DBOF Financial Reports Summarized.

Navy DBOF financial reporting is more similar to the private sector than General Ledger Accounting (GLA) reporting. GLA is maintained by the authorization accounting activity for budgetary reporting, designed only to provide summarized reports on all financial transactions. GLA only has one report similar enough to be compared to the private sector; the Trial Balance Report. Both DBOF activity reports parallel private sector financial reporting. Figure 5 compares GLA reporting, DBOF financial reporting, and private sector reporting.

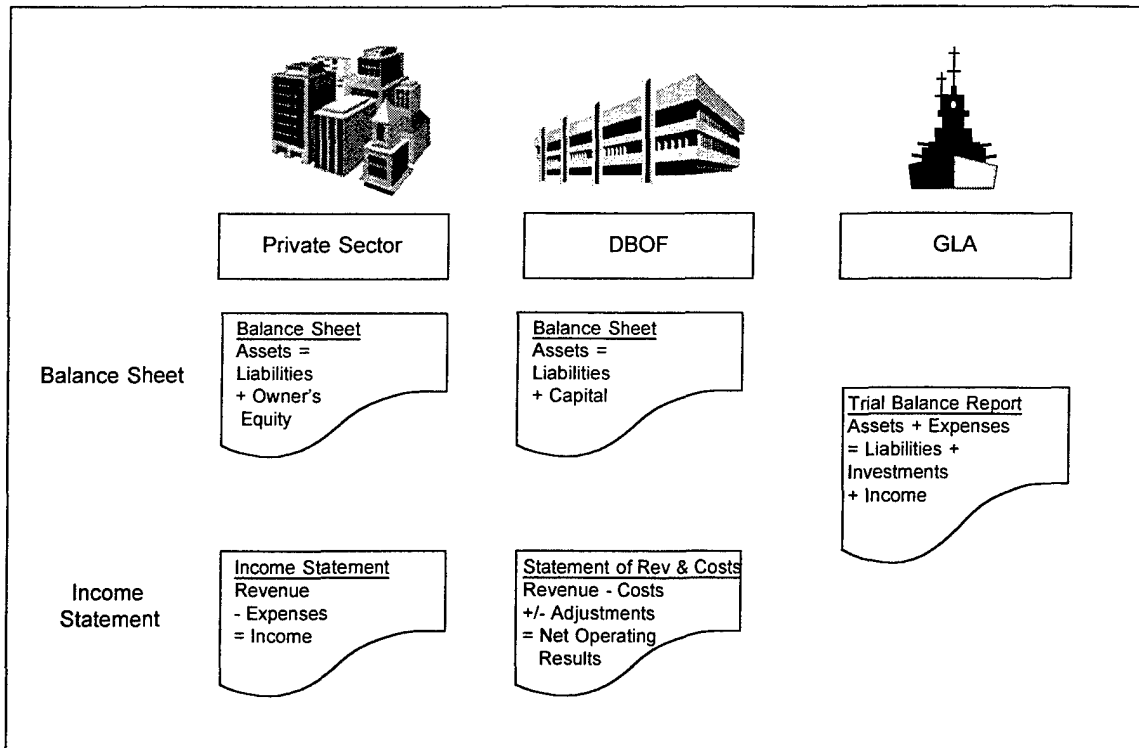


Figure 5. Private Sector, DBOF, and GLA Reporting

D. DEFENSE BUSINESS OPERATIONS FUND ACCOUNTING SYSTEMS

The ASN (FM&C) operates the Navy Industrial Fund Reporting System (NIFRS) for DBOF activities (PCC, 1996). DBOF activities can electronically transmit financial information to the ASN (FM&C) via NIFRS; which generates monthly accounting information for the ASN (FM&C). This information summarizes data by DBOF business areas and is used to prepare monthly reports for higher authority; along with being a benchmark to compare performance and execution of activities. The business areas currently in use in the Navy are: Supply Management, Logistics Support, Depot Maintenance, Base Support, Transportation, Research & Development, Printing, Information

Services, and Distribution Depots. This section will address the systems currently in use at the various DBOF activities.

Each DBOF activity will generate two monthly reports:

- ◆ DBOF activity Balance Sheet; and
- ◆ DBOF activity Statement of Revenue and Costs.

These documents will be reported via the Navy Industrial Fund Reporting System (NIFRS). Each DBOF business area will use its own accounting system for all of its activities. DFAS Cleveland is responsible for compiling the financial information from DBOF activities and subsequently generating comprehensive accounting reports for the Navy. The ASN (FM&C) will receive the information along with DFAS Indianapolis. DFAS Indianapolis has been designated as the site to compile DBOF financial information for all services; and, in turn, report that information to higher authority. Figure 6 provides a simplified example of DBOF financial reporting.

In 1992, there were approximately thirty-two accounting systems in use by Navy DBOF sites. Currently, the number of systems in use has been trimmed down to approximately twenty-eight. The objective of the Navy is to have one system per business area. Although ASN (FM&C) utilizes NIFRS for financial reporting, no uniform accounting system guidance has been provided to the DBOF business areas. DFAS Cleveland's long-term goal for DBOF activities is

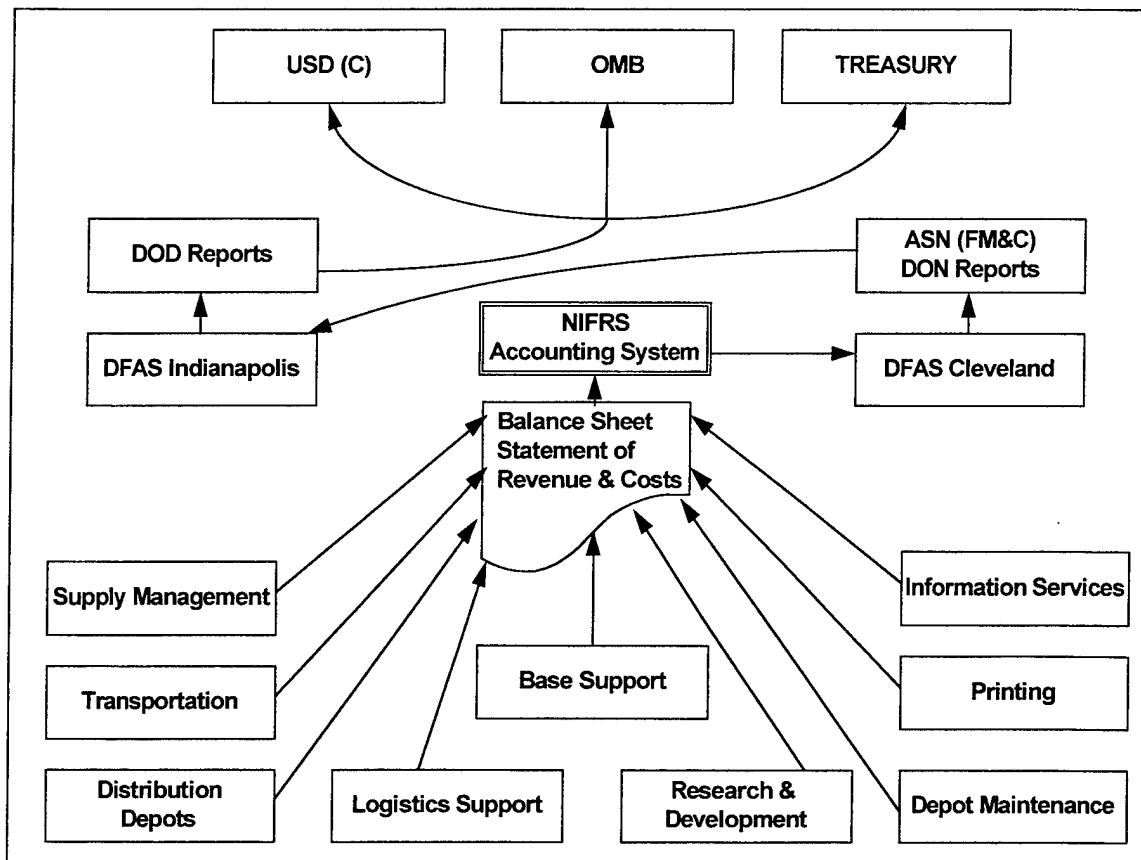


Figure 6. DBOF Financial Reporting in the Navy

for them to utilize one of the following accounting systems uniformly throughout each business area:

- ◆ CDB Centralized Data Base
- ◆ NIFMS Navy Industrial Fund Management System
- ◆ IFAS Integrated Financial Accounting System
- ◆ PWC-COTS Public Works Center-Commercial Off the Shelf
- ◆ DPS-COTS Defense Payment Service-Commercial Off the Shelf
- ◆ MFCS Material Financial Control System

The DBOF arena, like GLA, is in a current stage of streamlining financial reporting. Consider the Navy's Public Works Centers (PWC's), which have adjusted their financial reporting procedures so that monthly financial reports are provided electronically to the Naval Facilities Engineering Command. Consequently, "hard copy" reports are no longer needed; the PWCs only produce quarterly Financial and Operating Statement analysis reports (Awada, 1996).

E. SUMMARY

This appendix discussed various facets of the Navy's Defense Business Operations Fund financial accounting and reporting. The objective was to provide the reader with a point of comparison to General Leger Accounting in the Navy; specifically, budgetary financial reporting. Background, financial reports, and DBOF accounting systems were addressed. This appendix provided information on revolving funds, one of the three primary funding entities in the Navy; the other two being appropriated funds (part of this thesis) and non-appropriated funds (funds for which Congress has no fiscal control).

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